

# Non-refundable and **co-financing** instruments

PROMOTING EXPORT INNOVATION AMONG SMEs  
IN THE REPUBLIC OF KOREA

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ECLAC



Ministry of  
Foreign Affairs

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This document has been prepared by Joon-Ho Lee, Alexander Lee and April Lee, consultants in the International Trade and Integration Division of the Economic Commission for Latin America and the Caribbean (ECLAC), in the framework of the activities of the Cooperation Agreement 2017-2019 between ECLAC and Government of the Republic of Korea.

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## Acronyms

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
B2C	Business to Consumer
BMS	Business Matchmaking Service
EU	European Union
EXIM Bank	Export-Import Bank of Korea
FTA	Free Trade Agreement
GMD	Global Market Developer
GPSP	Global Partnering Support Program
GVC	Global Value Chain
HRD	Human Resource Development
ICT	Information and Communications Technology
K-biz	Korea Federation of SMEs
K-sure	Korea Export Insurance Corporation
K-vic	Korea Venture Investment Corporation
KCCI	Korea Chamber of Commerce and Industry
KCS	Korea Customs Service
KFS	Korea Forest Service
KIBO	Korea Technology Finance Corporation
KIPO	Korean Intellectual Property Office
KISED	Korea Institute of Start-up and Entrepreneurship Development
KITA	Korea International Trade Association
KODIT	Korea Credit Guarantee Fund
KOPS	KOTRA Online Payment Service
KOREG	Korea Federation of Credit Guarantee Foundations
KOSBI	Korea Small Business Research Institute
KOSDAQ	Korean Securities Dealers Automated Quotations
KOSTAT	Statistics Korea
KOTEC	Korea Technology Credit Guarantee Fund
KOTRA	Korea Trade-Investment Promotion Agency
KRW	Korean Won
KTL	Korea Testing Laboratory

LAC	Latin America and Caribbean
L/C	Letter of Credit
MAFRA	Korea Ministry of Agriculture, Food and Rural Affairs
MCST	Korea Ministry of Culture, Sports and Tourism
ME	Korea Ministry of Environment
MFDS	Korea Ministry of Food and Drug Safety
MOF	Korea Ministry of Oceans and Fisheries
MOHW	Korea Ministry of Health and Welfare
MOLIT	Korea Ministry of Land, Infrastructure and Transport
MOSF	Korea Ministry of Strategy and Finance
MOTIE	Korea Ministry of Trade, Industry and Energy
MSIP	Korea Ministry of Science, ICT and Future Planning
MSME	Micro, Small and Medium Enterprise
OECD	Organization for Economic Cooperation and Development
OKTA	Overseas Korean Traders Association
R&D	Research and Development
RDA	Korea Rural Development Administration
SBC	Korea Small and Medium Business Corporation
SBDC	Korea Small Business Distribution Center
SEMAS	Korea Small Enterprise and Market Service
SMBA	Korea Small and Medium Business Administration
SME	Small and Medium sized Enterprises
SMEIC	APEC SME Innovation Center
TIPA	Korea Technology and Information Promotion Agency for SMEs
USD	U.S. Dollar
VAP	Visitor Assistance Program
WTO	World Trade Organization

## Abstract

In the Republic of Korea, public support programs for exporting small and medium sized enterprises (SMEs) have played a significant role in their internationalization process. Multiple non-reimbursable and co-financing instruments that promote innovation of exports of SMEs have contributed to their export success, alongside large firms, which led Korea to become the world's fifth largest exporting country in 2015. This study synthesizes these support programs and some key factors of their implementation, of which some may be useful for formulators and implementers of similar programs in Latin America and the Caribbean. First, the authors highlight the continuity over time of these policies since the 1950s. As a result, the current export support system reflects the learning of more than sixty years. Second, Korea has a unique setup of institutions that support SMEs' exports, including the Korea Small and Medium Business Corporation (SBC), which is under the umbrella of Small and Medium Business Administration (SMBA) that recently transformed into the Ministry of Small and Medium Enterprises and Startups (MSS); the Korea Trade-Investment Promotion Agency (KOTRA) and the Korea International Trade Association (KITA) have programs that represent major SME export supporting programs of Korea. Third, some new initiatives have been recently introduced to accelerate the internationalization of SMEs, including a Voucher Program, which eligible SMEs can select specific types of support of their own choice. Fourth, many programs focus on the integration of SMEs in global value chains, particularly in terms of suppliers of parts and components to large Korean firms. One example is the development of Global Markets Program, in which foreign trade companies provide assistance to SMEs that only operate in the domestic market, until they export, with a specific emphasis on electronic commerce as facilitator of exports. The authors conclude that the authorities responsible for supporting SMEs' export should make efforts to identify and provide what local SMEs need, instead of providing what the authorities assume the local SMEs want.





## Introduction

The term 'internationalization' can be defined as 'the process of increasing involvement in international operations' (Calof & Beamish, 1995; Welch & Luostarinen, 1988). This definition is closely related to the concept of a holistic approach to internationalization, which considers not only outward aspect of internationalization, but also inward aspect of internationalization (Fletcher, 2001). Inward driven internationalization can be seen as a mirror image of outward driven activities such as imports of goods and services, finance and technology; through franchising, licensing, direct investments, alliance agreements, etc (Luostarinen & Welch, 1990). It has been identified that inward internationalization have impact on leading importing firms to become exporting firms (Korhonen, Luostarinen, & Welch, 1996; Welch & Luostarinen, 1993).

Considering the wide spreading phenomenon of global value chain (GVC) and the long-run effects of inward internationalization to local firms, the inward aspect of internationalization must be considered as one of the most important policy for supporting internationalization of local firms. However, the term 'internationalization' is often used for describing only the outward movement of firm's international operations.

Before the introduction of holistic view, the most generally accepted and prevailed concept of a firm's internationalization had been 'Stage model' (Johanson & Vahlne, 1977). The Stage model describes internationalization as 'changes involved with a firm, as it increases its commitment to global markets,' and the model focuses on the outward aspect of internationalization. In fact, this concept emphasizing the outward aspect of internationalization still prevails and dominates the mind of policy makers.<sup>1</sup> A survey conducted on the policy makers of both Organization for Economic Cooperation and Development (OECD) and Asia-Pacific Economic Cooperation (APEC) member economies found that they place a strong emphasis on outward internationalization, with 71.6% of the small and medium sized enterprises (SME) support programs focusing exclusively on supporting export activities (OECD & APEC, 2006).

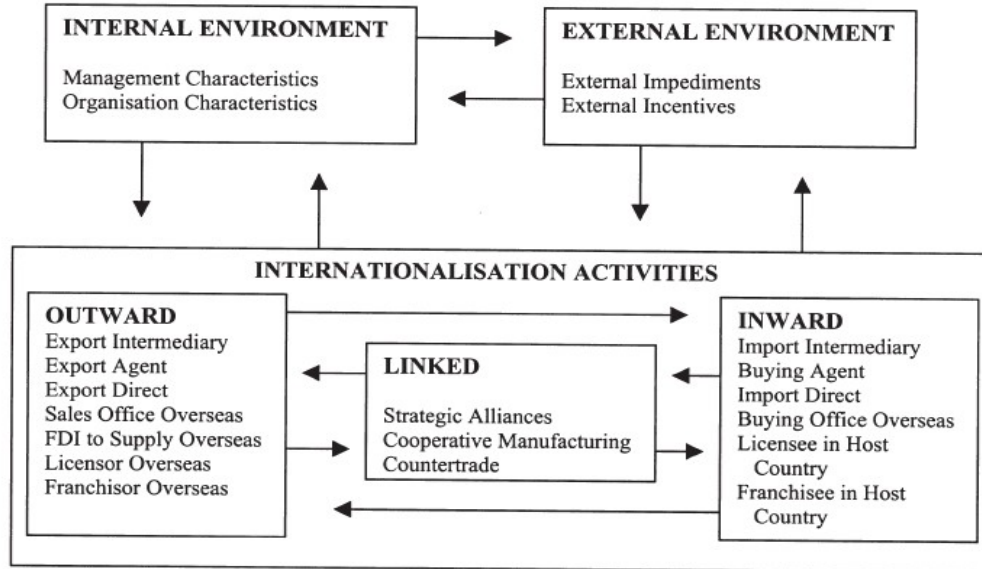
Since the end of Korean War in 1953, the Korean government has been focusing on supporting internationalization of Korean enterprises, especially on export among the other various measures of supporting internationalization. In fact, export driven economic development strategy was assessed as one of the most important and effective policy option for Korea when there was no internal resources to induce

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<sup>1</sup> Research conducted on 'European policies for supporting SMEs international activity' concluded that the European Union (EU) portfolio of instruments that support internationalization seems to focus primarily on export and trade promotion without necessarily stimulating internationalization of innovation activities of SMEs (Lilischkis et al., 2016).

domestic consumption and investment. Even though there was an effort at the governmental level to shift the policy paradigm from ‘supporting export of SMEs’ to ‘internationalization of SMEs,’ supporting export is still one of the top priorities of Korean authorities that are responsible for the economy.

**Diagram 1**  
**A holistic approach to internationalization**



Source: Fletcher, 2001.

Many Korean organizations and agencies, both in public and private sectors, are providing various export support programs and services. This report characterizes the current SME export support system of Korea, and introduces SME export support programs provided by selected organizations and agencies.<sup>2</sup>

<sup>2</sup> Selected organizations and agencies are Korea Small and Medium Business Corporation (SBC), Korea Trade-Investment Promotion Agency (KOTRA), and Korea International Trade Association (KITA).

# I. Korean SMEs and development of export support policy

## A. Definition of Korean SMEs

Each country has their own definition of SMEs. In general, SME is defined as non-subsiary, independent firms that employ fewer than a given number of employees. However, the EU's criteria for definition of SME are number of employees, and annual turnover and/or balance sheet total. The most frequent upper limit that defines a SME is 250 employees in the EU, while the U.S. has set up the general limit to 500 employees.<sup>3</sup>

Definition of Korean SME was introduced in 1966 when 'SME Basic Act', which is the first SME related law of Korea, was enacted. According to the law, SME is a profit making entity that meets the requirements of both statistical and economic criteria. The statistical criteria define SME as the profit making legal company that employs less than, in general, 300 employees<sup>4</sup> or a company that has less than, in general, capital of 8 billion Korean Won (KRW).<sup>5</sup> However, the criteria are the upper limit that applies to general SMEs while the lower limit applies to the rest of SMEs in different sectors. For an instance, less than 50 employees and 5 billion KRW was the criteria for SMEs in real estate, and house renting and leasing business. The economic criteria requires SMEs to be independent of large enterprises, in other words, SMEs that are not subsidiary companies of large enterprises. However, the criteria has been amended and revised many times for the past 50 years.

The Korean government adopted the new definition of SMEs form 2015, and the new criteria is based on the sales volume. The new definition reflects the change of industry and business ecosystem due to the development of 'information and communication technology' (ICT) and current trend of business convergence. In fact, there are small enterprises that employ less than 300 employees but record tremendous amount of sales volume. However, the economic criteria still applies to the definition of Korean SME.

Table 1 Shows the current criteria of Korean SMEs, as of 2017.

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<sup>3</sup> <http://ec.europa.eu/eurostat>.

<sup>4</sup> Temporary and part-time workers are not included.

<sup>5</sup> Exchange rate of KRW for one U.S. dollar (USD) has been fluctuating in the range of 700 KRW and 1,800 KRW for the past 60 years. It would be reasonable to assume that 1 USD is about 1,000 KRW for the understanding of the numeric figures.

**Table 1**  
**Definition of Korean SMEs (from 2015)**  
*(Billion KRW)*

Sector		SMEs
Industry	Detailed category	Sales Volume
Manufacturing industries	Clothes, bags/shoes, pulps/papers, primary materials, electrical equipment, furniture	< 150
Manufacturing industries	Groceries, tobacco, textiles, lumber, petroleum, chemicals, rubbers/plastics, metal products, electronics/computers/videos/telecommunications, machines/equipment, automobiles, and other transportation equipment manufacturing industry.	
Agriculture/forestry/fishery		< 100
Electricity/gas/water		
Wholesale/retail		
Mining industry		
Construction industry		
Manufacturing industries	Beverage, printing/copy machines, medical substances/ medicines and medical supplies, nonmetallic minerals, and other product manufacturing industries	
Transportation		< 80
Sewage disposal/environmental remediation		
Publication/information		
Repair/other personal service		
Business-supporting service		
Science/technology service		< 60
Health/social welfare		
Art/sports service		
Lodging/restaurant Finance/insurance		
Educational service		
Real estate/leasing		< 40

Source: SMBA, 2016.

## B. Chronology of SME export support policy<sup>6</sup>

Even though Korea had implemented various export support policies for the past 60 years, the focus of such policies had been centered on supporting large exporting enterprises. However, as Korea joined World Trade Organization (WTO) and OECD in 1996, and especially after the Asian Financial Crisis at the end of 1997, the Korean government began to realize the significance of the governmental measures to strengthen competitiveness of SMEs in global market.

The 1940s through 1950s can be assessed, while KITA was established in 1946, as the period in which SME export support issues were not attracting any attention.<sup>7</sup> In the 1960s, the Korean government recognized that the solution for rehabilitating the Korean economy was to promote export. KOTRA and the 'Export Promotion Committee' were established in 1962. In 1967, the 'Export

<sup>6</sup> Author indebted this part to (K.U. Lee, 2006; Kim, 2006; Kim, 2008; Kim et al., 2008; Kim et al., 2012; Lee, 2011).

<sup>7</sup> In fact, there were not many enterprises that could have been categorized as exporting enterprises regardless of their sizes in 1950s of Korea.

Promotion Act' and two other Acts were merged into the 'Trade Transaction Act' for the sake of efficiency and synergy effect of supporting export of Korean enterprises.

The 'Export Information Center' was established as an affiliated organization of KOTRA in 1970, and the 'Export Procedure Simplification Committee' was established as an affiliated organization of KITA in 1971. However, main target of supports provided by those trade promotion agencies were large enterprises, and various preferential incentives were provided for large exporting enterprises. SBC was established in 1979, which has taken the central role of supporting SMEs' export since the late 1990s.

In 1986, three Acts<sup>8</sup> were merged into the 'Foreign Trade Act,' which promoted the efficiency of the government's trade support mechanism. Even though trade-financing supports for large enterprises ceased in 1988, financial support for SMEs' import of materials for production of exportable goods continued. Overseas expansion of SMEs were actively supported. For example, the Export-Import Bank of Korea (EXIM Bank) provided loans for SMEs' overseas investment, and SBC established the Overseas Investment Counseling Center to support internationalization of SMEs.

In 1992, Korea Export Insurance Corporation (K-sure) was established for the purpose of providing trade insurance for SMEs. In 1993, the 'Foreign Trade Act' and its enforcement decree were amended to change the trade permit system to the registration system. Tax benefits were provided, including 0% value added tax (VAT) and exemption of special consumption tax, etc., for export industries. Enterprises with high ratio of exports were given priority in access to various government funds and also, credit guarantee for exporting SMEs were expanded. In 1996, SMBA was established.

After the Asian Financial Crisis of 1997, the government begun to spur the construction of export support mechanism for SMEs. The 'SME Export Support Centers'<sup>9</sup> were established under local SMBA offices in linkage with export promotion agencies. In the same period, SBC formed the 'Export Advisory Group' consisting of international business experts, which provided consulting for SMEs. Also, SBC initiated the 'Export Incubator Program'<sup>10</sup> to support SMEs by establishing overseas branches and corporations.

In the 2000s, the direction of policies for supporting SMEs shifted from direct supports to providing indirect supportive measures. While direct support generally refers to financial supports, indirect support generally refers to provision of training, education and information, supports for international marketing, etc. SBC established 'Collaborated Logistics Centers' in major foreign countries, and 'Export Support Centers' provided consulting on international marketing, legal affairs, accounting, provision of information on global markets, etc.

Since the 2000s, the Korean economy began to be globalized by concluding FTA with the U.S., the EU, and China, and the Korean government began to focus on the SME internationalization policy. However, the focus of SME policy is still placed on strengthening export competitiveness.<sup>11</sup>

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<sup>8</sup> The 'Export Trade Transaction Act,' the 'Export Association Act,' and the 'Industrial Equipment Export Promotion Act'.

<sup>9</sup> Visit ([www.exportcenter.go.kr](http://www.exportcenter.go.kr)) for more information.

<sup>10</sup> This program is introduced in detail at (4.2.1. Major export support programs of SBC).

<sup>11</sup> See (Hong & Bahn, 2006) and (Lee, 2010) for further discussion.

**Table 2**  
**Chronology of Korean SME support policies**

1950s	Recognition of SME issues. KITA was established (1946). The 'Outline of Small and Medium Business Fostering Measures' was introduced (1956).
1960s	Realization of export as the policy issue. KOTRA (1962) and Export Promotion Committee (1962) were established. Trade Transaction Act (1967) was enacted.
1970s	Promotion of export as one of the most important policy agendas. Necessity of 'fostering SMEs as the main suppliers' was raised with implementation of policies that foster heavy and chemical industries. KOTRA Export Information Center (1970) and Export Procedure Simplification Committee (1971) were established. Credit Guarantee Fund (1976) and SBC (1979) were established.
1980s	Acceleration of the governmental system for supporting export. Focus of SME policy was protection and promotion of SMEs. 10-Year SME Promotion Plan was established. Small and Medium Enterprises Start-up Support Act (1986) and Foreign Trade Act (1986) were enacted. Overseas Investment Counseling Center was established in late 1980s within SBC.
1990s	Promotion of SMEs' export in full scale. K-sure was established (1992). 'Act on Special Measures for the Promotion of Business Stabilization' and 'Restructuring of Small and Medium Businesses' (1995) were enacted. Korea joined WTO and OECD (1996). Korea Small and Medium Business Administration (SMBA) was established (1996). SBC formed the 'Export Advisory Group' and launched 'Export Incubator Program.' SME Export Support Centers were established in the middle of 1990s.
After Asian Financial Crisis (1998)	Promotion of venture and start-ups. Focus was laid on venture policies, and Korean Securities Dealers Automated Quotations (KOSDAQ) was launched (1996). The Act on Special Measures for Supporting Venture Enterprises (1997), the Act on Special Measures for Supporting Small Enterprises (1997), and the Special Act on Supporting Female Enterprises (1999) were enacted.
2000s	Inducing competitiveness through innovation and competition. Free Trade Agreement (FTA) with Association of Southeast Asian Nations (ASEAN) (2006), India (2009), and the U.S (2007) were concluded. Focus of SME support policy shifted from direct to indirect supports. Export Incubators and Collaborated Logistics Centers were established in the early 2000s.
2010s	Promotion of globalization and export capacity Promoting internationalization of SMEs and competitiveness of export capacity of SMEs were emphasized FTA with India (2009), the EU (2010), the U.S (2007), and China (2015) were concluded

Source: Table is elaborated by author based on (K.U. Lee, 2006; Kim 2006; Kim, 2008; Kim et al., 2008; Kim et al., 2012; Lee, 2011).

Figure 1 shows a trend of total export of Korea and SME's portion to the total export. Proportion of Korean SMEs' export to the total export in 2009 dropped from range of 30% and 40% to about 20%. This was due to the Korean government excluding the exports of both export agents and of small and medium sized subsidiary companies of large enterprises, from the statistics of SME export. Until 2008, it has not been technically possible to identify subsidiaries of large enterprises due to business identification number and its related coding problems.

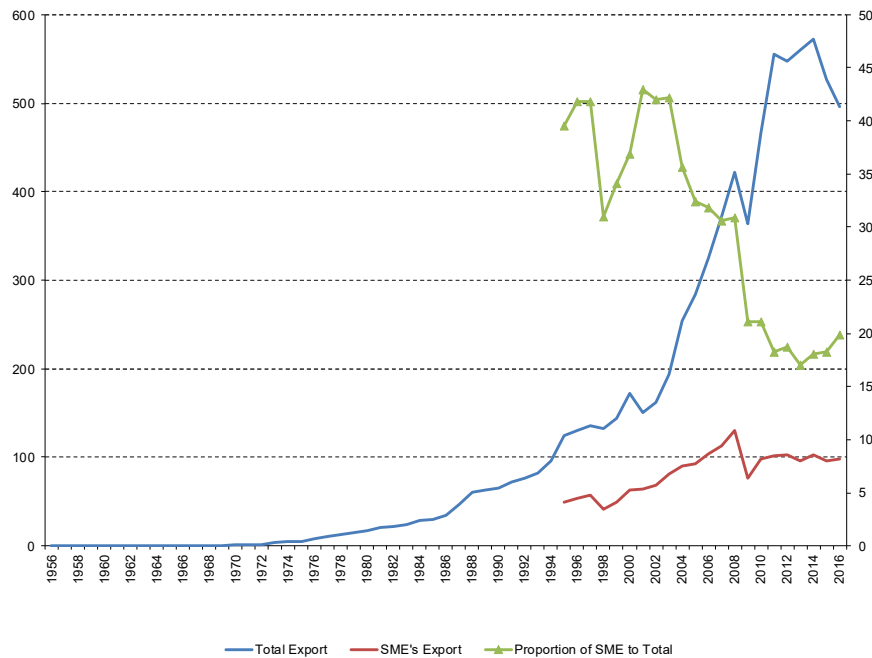
It is not clear to judge whether 20% is considered to be significant figure compared to other countries.<sup>12</sup> However, in case of Korea, approximately 55% of manufacturing SMEs are suppliers of

<sup>12</sup> See (OECD, 2016).

large exporting enterprises, and they are not generally exporting their products. In this regard, it would be more meaningful to figure out the contribution of SME's role in the export value chain which produces final product that are exported.

Considering the heavy industry focused structure of Korea, in which requires highly intensive vertical production chain, the volume of indirect export<sup>13</sup> of SMEs through export production chain of large companies is expected to be large. Attempts have been made to quantitatively measure the indirect export of SMEs in various sectors of industry in Korea, but the results were not clear nor successful.<sup>14</sup> Further discussion is beyond the scope of this report. However, according to a survey conducted by Lee (2010), proportion of indirect export of Korean SMEs in automobile sector and shipbuilding sector are assumed to be about 30% and 62% respectively. Further study is required for rigorous and conceptually reasonable results.

**Figure 1**  
**Trends of total export of Korea and proportion of SMEs export**



Source: KITA (1956 - 1994), SMBA (1995 - present), Statistics Korea (KOSTAT).

Note: From 2009, the Korean government began to exclude small and medium sized trade exporters and affiliated companies of large enterprises, from the definition of SME.

<sup>13</sup> Here, the term 'indirect export' implies SME's quantitative and qualitative contribution to the production of exported products by supplying parts, components, modules, input of labors, etc.

<sup>14</sup> See (Oh, 2012) and (Lee, 2010) for further discussion.





## II. Structure of SME internalization support policy scheme of Korea

### A. SME support policy scheme

In case of Korea, SME support policies and programs are mainly provided by public sector, including SMBA and many other ministries. Organizational structure of support for SME is very complex; examining government's budget structure is the best way to figure out the system.

The total government budget of Korea was 375.4 trillion KRW as of 2015 fiscal year.<sup>15</sup> About 16.4 trillion KRW was allocated to 'Industry, SME and Energy' sector in 2015. Among 16.4 trillion KRW, approximately 15.3 trillion KRW was allocated to SME sector, which accounts for about 93% of the total budget allocated to 'Industry, SME and Energy' sector. Among 15.3 trillion KRW, approximately 13 trillion KRW was allocated to the central government, and the rest were allocated to the regional government. This means that almost all SME support policies are established and executed by the central government. Budget for SME sector accounted for about 4% of the total government budget as of 2015 fiscal year.<sup>16</sup> Total budget for SMBA was 7.9 trillion KRW in 2015, including "'SME Start-up and Promotion Fund' (4.0 trillion KRW)" and "'Micro Enterprise Market Promotion Fund' (2.0 trillion KRW)."

The policy target of SMBA is Micro, Small and Medium Enterprises (MSMEs), while the target of the other ministries and administrations is all Korean enterprises including large enterprises like SAMSUNG and HYUNDAI. The main purpose of SMBA is to establish the SME support mechanism that can provide support for SME growth, fostering of new SMEs, activating start-ups and micro enterprises including traditional markets, etc.

While SMBA establishes SME support strategies, policies, and enact laws, it does not directly implement policies. There are eight policy implementing organizations and agencies under the umbrella of SMBA, which are SBC, Korea Small Enterprise and Market Service (SEMAS), Korea Technology and Information Promotion Agency for SMEs (TIPA), Korea Small Business Distribution Center (SBDC), Korea Venture Investment Corporation (K-vic), Korea Federation of Credit Guarantee Foundations (KOREG), Korea Institute of Start-up and Entrepreneurship Development (KISED), and

<sup>15</sup> For a reference, the 2015 annual average exchange rate for KRW was 1,131.49 KRW per 1 USD. (Woori Bank [online]).

<sup>16</sup> Government budget for SME sector increased about 8.5% on average from 2013 to 2015.

Korea Small Business Research Institute (KOSBI). All these organizations are operating under the surveillance of SMBA and classified as quasi-government organizations.<sup>17</sup>

**Table 3**  
**Annual government Budget for SME sector (Korea)**  
*(Trillion KRW)*

Year		Budget for SMEs	Number of Program
2013	Total	13.0	1,301
	Central Government	10.9	200
	Regional Government	2.1	1,101
2014	Total	13.6	1,332
	Central Government	11.5	229
	Regional Government	2.1	1,103
2015	Total	15.3	1,287
	Central Government	13.0	246
	Regional Government	2.3	1,041

Source: KOSBI, 2015.

Note: Programs operated based on the central government budget is not included in the number of programs operated by the regional government.

SBC is the main SME policy implementing organization and is responsible for providing almost all SME support programs and services<sup>18</sup> related to marketing, financing, and human resource development (HRD). TIPA is the major organization that supports research and development (R&D) of SMEs, while SEMAS focuses on supporting micro and small enterprises. KOREG is responsible for providing credit guarantees for general SMEs, and K-vic is responsible for supporting venture companies. KISED is specializing in promotion of start-ups, and KOSBI is mainly a SME policy research institute. Regarding marketing support, SBDC is responsible for supporting domestic marketing of SMEs, while SBC is responsible for supporting internationalization and export of SMEs.

SBC is also responsible for supporting SME financing by providing policy funds, grants, and loans. Far from the umbrella of SMBA, Korea Credit Guarantee Fund (KODIT) and Korea Technology Finance Corporation (KIBO)<sup>19</sup> are supporting SME financing by providing certificates of guarantee for SMEs, where KODIT is responsible for general SMEs and KIBO is responsible for technology based SMEs. K-sure is an organization responsible for providing export and import insurances to SMEs. Under certain conditions, SMEs can have access to preferential rate of insurance fee.

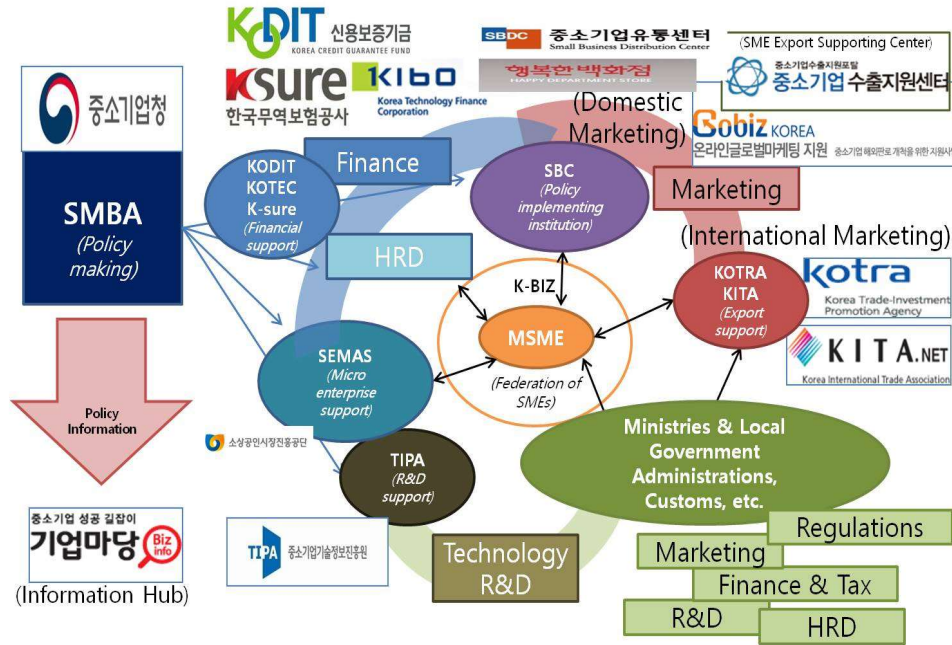
However, it can be addressed that almost all ministries and administrations of the Korean government are providing programs and services based on their characteristics or fundamental missions of the organizations. For an instance, there are 23 ministries and 16 administrations in Korea. 'Korea Ministry of Agriculture, Food and Rural Affairs' (MAFRA) is providing various support programs and services only for SMEs in food and agriculture industry. Likewise, Korea Ministry of Food and Drug Safety (MFDS) is providing various support programs and services for SMEs in medical industry. However, all of these programs and services provided by various ministries and administrations are eligible to all sizes of enterprises.

<sup>17</sup> Government organizations establish organizations and institutions to implement laws. These organizations are taking a role of policy delivery channel, and classified as quasi-government organizations. All affiliated organizations of SMBA are quasi-government organizations.

<sup>18</sup> Here, the term 'program' is used to imply specific program by its name while the term 'service' is used to imply contents of the program. In case of Korea, organizations provide various services under the umbrella of one specific program. Distinction is made to distinguish the name of the programs and its various services provided as sub-programs under a one specific program.

<sup>19</sup> KIBO is another name for Korea Technology Credit Guarantee Fund (KOTEC).

**Diagram 2**  
**SME Supporting institutional channel**



Source: Author.

It is possible to access all SME related information through portal system called BIZINFO,<sup>20</sup> which is co-operated by SMBA and KOSBI. This website provides information on all SME support programs provided by the central government and the local government. BIZINFO plays the role of a single window for SMES by operating an integrated policy information system.

## B. SME export support policy scheme

### 1. SME export support policy scheme and institutional structure

According to Korea Ministry of Strategy and Finance (MOSF), as of 2016 fiscal year,<sup>21</sup> there are 14 ministries providing 60 SME export support policy programs in broad category, which are 225 policy programs in detailed category. Total government budget allocated to SME export support policy programs for 2016 fiscal year was 1.5 trillion KRW. The amount of budget allocated to SMBA was 376.4 billion KRW, which accounts for about 20% of SMBA's total budget, excluding the special funds.<sup>22</sup>

**Table 4**  
**SME export support policy programs by category**

Category	Total number of Programs	Total number of Organizations
Export Infrastructure Establishing	55	10
Export Capacity Building	77	12
Export Marketing	93	8

Source: MOSF [online].

<sup>20</sup> www.bizinfo.go.kr.

<sup>21</sup> For a reference, 2016 annual average exchange rate was 1,161.4 KRW per 1 USD. (Woori Bank [online]).

<sup>22</sup> "'SME Start-up and Promotion Fund' (4.0 trillion KRW)" and "'Micro Enterprise Market Promotion Fund' (2.0 trillion KRW)."

Export support policy programs can be classified into three categories in broad terms; 1) export infrastructure establishing support, 2) export capacity building support, and 3) export marketing support.

The main purpose of the programs in the first category, ‘export infrastructure establishing support,’ is to establish public goods, in a sense that the programs establish export supporting infrastructure for all SMEs, such as establishing distribution centers, supporting research on overseas information, e-commerce, providing training courses, etc. More specifically (in detailed category), these are export incubator program

(SMBA), overseas collaborated distribution center program (MOTIE<sup>23</sup>), international construction support program (MOLIT<sup>24</sup>), etc., which are 55 programs (in detailed category) provided by 10 ministries and administrations.

Second category, ‘export capacity building support,’ includes support for certificate acquisition, patent registration, design and other product development related activities, expert consulting on contracts and customs, and export financing. More specifically, the programs (in detailed category) include MAFRA’s loan for purchase of raw material, Korea Ministry of Oceans and Fisheries (MOF) loan for development of popular marine product, SMBA’s support for development of potential export product and establishment of branch offices, etc., which sum up to 77 programs (in detailed category) provided by 12 ministries and administrations.

Third category, ‘export marketing support,’ includes programs (in broad category) such as support for local exhibitions, buyer consulting, dispatch of market developer, and supporting localization and international marketing. Specifically, this category includes MOTIE’s overseas exhibition, MAFRA’s shipping support, SMBA’s support for export acceleration and trade promotion delegation, etc., which sum up to 93 programs (in detailed category) provided by eight ministries and administrations.

Each ministries and administrations have their own affiliate organizations to implement their policies, and operate their own export support programs based on their own budget.<sup>25</sup> Among others, SMBA is the major government organization that is responsible for internationalization of SMEs and introduces various policies to support SME’s export.<sup>26</sup> The main objectives of those measures are; 1) support development of SMEs export capacity, 2) support dispatch of export promotion group to global market, 3) promote utilization of overseas civilian network, 4) support acquisition of international certification, 5) provide export financing, 6) designate SMEs with export potential and provide preferential supports, and 7) support operation of Export Incubator program.

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<sup>23</sup> ‘Korea Ministry of Trade, Industry and Energy’ (MOTIE).

<sup>24</sup> ‘Korea Ministry of Land, Infrastructure and Transport’ (MOLIT).

<sup>25</sup> However, introducing all these organizations is beyond the scope of this report.

<sup>26</sup> Here, the term ‘internationalization’ implies comprehensive inter-national business activities depicted in the concept of holistic view of internationalization.

**Table 5**  
**SME export support government programs**  
*(number, billion KRW)*

Category	Implementing Organization	No. of Programs (Budget)
Export Infrastructure Establishing	MOTIE	14 (24.9)
		(KOTRA: 7 (11.9))
	SMBA	3 (15.8)
	(Rest of organizations: 8) ME, MOHW, MFDS, MAFRA, a RDA, KFS, MOF, MOLIT <sup>b</sup>	38 (86.5)
Export Capacity Building	MOTIE	11 (65.5)
		(KOTRA: 2 (54))
	SMBA	12 (308.7)
	(Rest of organizations: 10) KCS, KIPO, MCST, MSIP, c MFDS, MOHW, MAFRA, RDA, KFS, MOF	54 (1,283)
Export Marketing	MOTIE	21 (75.2)
		(KOTRA: 12 (27))
	SMBA	10 (52.6)
	(Rest of organizations: 6) MCST, MSIP, MOHW, MAFRA, KFS, MOF	62 (131)

Source: MOSF [online].

Notes: Here, KOTRA is counted as one of the programs operated by MOTIE. a) Korea Ministry of Environment (ME), Korea Ministry of Health and Welfare (MOHW), MFDS, and MAFRA; b) Korea Rural Development Administration (RDA), Korea Forest Service (KFS), and MOLIT; c) Korea Customs Service (KCS), Korean Intellectual Property Office (KIPO), 'Korea Ministry of Culture, Sports and Tourism' (MCST), 'Korea Ministry of Science, ICT, and Future Planning' (MSIP).

Majority of SME export support programs are operated by SBC<sup>27</sup> based on the policy direction of SMBA. 'Go-biz Korea'<sup>28</sup> is an online based SME export support center operated by SBC, while 'SME Export Support Centers' in each regional SMBA offices are offline centers responsible for supporting export of local SMEs in remote area.

Among other SME export supporting organizations, KOTRA is a quasi-government organization under the umbrella of MOTIE and is responsible for supporting internationalization of Korean enterprises by providing various internationalization support programs and services. However, programs and services provided by KOTRA are not exclusively for SMEs.

Meanwhile, private sector also provides internationalization support services for Korean enterprises. Organizations such as KITA, Korea Federation of SMEs (K-biz), 'Korea Chamber of Commerce and Industry' (KCCI), and many small private boutique enterprises belong to private sector.

Among others, KITA and K-biz are worth to note. K-biz provides SME internationalization service exclusively for SMEs, but it operates only one program that supports SMEs' participation in overseas exhibition. KITA also provides various export support programs and services for Korean enterprises and is regarded as one of the most important organizations that provides comprehensive export support services. However, KITA is operating on member basis, and programs and services are not exclusively for SMEs.<sup>29</sup>

<sup>27</sup> Detailed programs are introduced in the next chapter.

<sup>28</sup> kr.gobizkorea.com.

<sup>29</sup> However, considering the fact that most large enterprises are well aligned with capital and human resources to take care of international business, it can be addressed that most beneficiary groups of KOTRA programs and services are SMEs.

## 2. Roles and functions of SME export supporting organizations

It is not easy to distinguish characteristic differences of Korean SME export supporting organizations in terms of their roles, functions, and programs and services. In fact, KOTRA, SBC, KITA, and other SME export supporting organizations are providing many identical services under the similar category of programs.

For the understanding of the overall operational structure of SME export support scheme, the whole picture can be summarized as below.

(1) SMBA is in the center of SME export support scheme of Korea. Among eight policy implementing organizations under the umbrella of SMBA, SBC is the sole organization explicitly responsible for supporting export of SMEs. However, SMBA mainly supports manufacturing SMEs, while SMEs in service sector are mainly supported by MOTIE. MOTIE is responsible for supporting overall sectors and sizes of Korean enterprises.

(2) SBC and KOTRA are the most important and noteworthy organizations that implement export support policy, respectively under the umbrella of SMBA and MOTIE. KOTRA, SBC, and KITA are supporting general SMEs, while various ministries and their related organizations are supporting SMEs of their own targets according to the ministerial characteristics.

(3) It can be assessed that KOTRA has comparative advantage and expertise in supporting SME's export, externally. In fact, no other SME export supporting organizations in Korea can provide better on-site services in global market than KOTRA, such as business matchmaking that finds and connects global buyers to Korean SMEs. In fact, KOTRA has 126 offices in 86 countries and over 1,500 trade and international business supporting staffs, supporting Korean enterprises that are looking for global buyers in global market for the past 60 years.<sup>30</sup>

(4) SBC's role can be assessed as 'comparatively' more focused on supporting export of SMEs, internally, such as supporting establishment of export infrastructure and development of export capacity of SMEs. The fundamental role of SBC is to locate the SMEs with export potential, and support them to be exposed in international business activities by providing various SME support policy measures of SBC. In fact, SBC has been focusing on supporting financing, HRD, and domestic marketing, up until the late 1990s. It is from the early 2000s that SBC began to develop and introduced export support programs when the challenges from globalization of the Korean economy began to build up and were recognized as threats to Korean SMEs.<sup>31</sup>

(5) SBC is the only organization that provides technology, financing, and human resource supports for SMEs, in the process of exports. It is because SBC is the main SME policy implementing organization that has connections to all other organizations that provide support programs under the umbrella of SMBA. In this regard, SBC is the unique organization that can provide comprehensive supports either by themselves or in collaboration with other SME supporting organizations under the umbrella of SMBA.

(6) While each organizations and agencies haven't been operating their own programs independently, a few export support programs are currently provided in collaboration among governments, organizations, and agencies, for the purpose of efficiency and synergy effect of the supports. For an instance, Business Incubator Program was originally introduced by SBC in the early 2000s, but the government conceptually separated the role of KOTRA and SBC into external and internal supports when providing SME export support services, and let KOTRA take charge of the incubator program in 2008.<sup>32</sup> However, the incubator program is currently operated by both KOTRA

<sup>30</sup> Based on the interview with Lee, Taesik (Vice President, KOTRA).

<sup>31</sup> Korea joined WTO and OECD in 1996. The first FTA concluded was with Chile in 2004. Currently, FTAs with the U.S., China, the EU, ASEAN, and India, including many other large economies, are concluded and are in effects; many other mega FTAs are under negotiation.

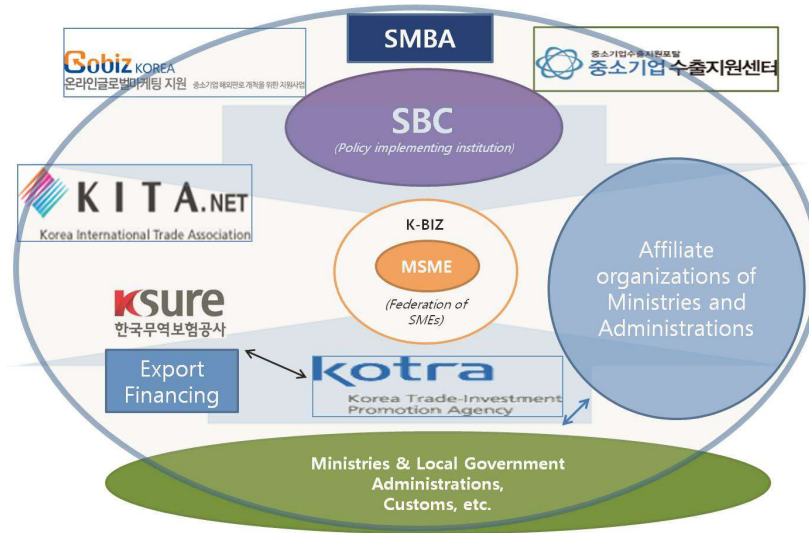
<sup>32</sup> While most SME internationalization support programs of SMBA are executed by SBC, a few policy programs of SMBA, MOTIE, and the regional governments are currently provided in collaboration with KOTRA and other organizations.

and SBC in a collaborated manner.<sup>33</sup> KOTRA is currently operating 'trade delegation support program' and 'global buyer matchmaking program' in a collaborated manner to the request of the central and the regional governments.

(7) KITA can be recognized as a very unique organization because it has been taking a role of the government funded export supporting agency, even though KITA is a private organization. It has been providing export support services not only for its members, but also for all Korean enterprises.<sup>34</sup>

(8) It is generally accepted that KITA is providing comprehensive and wide range of internationalization related programs and services to SMEs, as long as they are registered as members of KITA. While KITA is providing many similar programs of what KOTRA and SBC are providing, KITA is especially known for its provision of various information that are associated to issues of internationalization, globalization, global market, government procurement market, certifications and standards, customs and FTAs, etc.<sup>35</sup>

**Diagram 3**  
SME export supporting channel at a glance



Source: Author.

### 3. Current change in SME export support policy

As of late January of 2017, MOTIE and SMBA made a public announcement on the '2017 collaborated government plan for supporting SME's overseas expansion,' together. The total budget for 2017 plan (287.8 million KRW) increased by 29.5% compared to 2016, but there are no fundamental difference in the context of specific programs listed in the plan.

However, a couple of programs newly introduced in 2017 plan are worth to note. One of the newly introduced SME export support programs is the 'Voucher Program.'<sup>36</sup> The government provides voucher to SMEs that meet the conditions and eligibility criteria of the Voucher Program, and the SMEs can choose necessary programs and services as well as organizations that provide the programs, which

<sup>33</sup> Based on the interview with Kim, Iwon (Head of performance assessment department, Past Head of international trade department, SBC), Jun, Byungwon (Senior Manager of Planning & Budget Department, SBC) and Baek, Junghee (Manager, Marketing Assistance department, SBC).

<sup>34</sup> Based on the interview with Lee, Heesang (Director, Planning and Coordination Department, KOTRA), and Choi, Myunglae (Manager/Attorney at law, Customer Support Team, KOTRA).

<sup>35</sup> 'www.kita.net' is the main website of KITA and is the main source of all this information.

<sup>36</sup> This program is explored in detail at chapter on Major export support programs of KOTRA.



are listed in the voucher. The Korean government believes that the new programs are introduced to emphasize the concept of demander (SMEs) oriented government support system rather than provider (the government and export supporting organizations) oriented government support system.

Another notable program that is newly introduced in 2017 is the ‘Global Market Developer’ (GMD) program. GMDs are experienced domestic trading companies that have been managing export and import businesses for SMEs for a long time. GMDs cultivate SMEs that are not currently exposed to any international activities and support them until the SMEs are exposed to exporting activities. This program is introduced because the Korean government recognized that most SMEs are unfamiliar with export activities and procedures, and uncertain about the marketability of their products at global market.

Also, a couple of changes to SME export support policy direction are worth to note. One notable change is that the government is paying more attention on supporting e-commerce of SMEs. Main focus of the program is placed on supporting Korean SMEs to connect with global e-commerce such as Amazon, eBay, etc., and on deregulation of e-commerce related administrative burden that occur when dealing with customs and logistics.

The other is that the government is paying more attention on integrating SMEs into GVCs.<sup>37</sup> The basic idea is to enhance matchmaking role of export supporting organizations in various GVCs, especially in manufacturing sectors of ‘parts and components’. One of the best programs that are operating based on the concept of supporting SMEs’ integration into GVC could be ‘Global Partnering Support Program’ (GPSP) of KOTRA. KOTRA has been operating GPSP since the early 2000s, and the Korean government is currently paying more attention on their systems and performances.<sup>38</sup>

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<sup>37</sup> Wide spreading phenomenon of GVC is casting important implications for policy makers and enterprises. Policy issues related to SMEs are more critical in a sense that the GVCs are mostly governed by large enterprises and most SMEs are not in the leveraging status in the GVCs. On that account, policy issues of supporting integration of local SMEs into various GVCs could be one of the top priorities for government organizations that are responsible for SMEs in a globalized world. However, discussion on issues of GVC and their relationship to SMEs are beyond the scope of this report. For further discussion, see (ADB, 2003; APEC Committee on Trade and Investment, 2011; APEC Policy Support Unit, 2014, 2013; OECD, 2013, 2011, 2007a, 2007b, 2004).

<sup>38</sup> Based on the interview with Kim, Sangmook (Director General, Global Business Partnering Strategy Team. KOTRA) and Uh, Jaesun (Deputy Director, T/F for Future Strategy Plan, KOTRA).

### **III. Major SME export supporting organizations and programs<sup>39</sup>**

#### **A. Overview of export supporting organizations and programs**

Roles and functions of SBC, KOTRA, KITA, and all other organizations may look overlapped and messy, but there is an implicit agreement on their roles and functions among the organizations in SME export support scheme of Korea. There has been a long-lasting criticism on the overlapping roles and functions of various organizations, and a debate over the best way of planning and managing SME export support policy at the governmental level.

This report elaborates a few selected major export support programs of SBC, KOTRA, and KITA, since they are the most important and prominent export supporting organizations in Korea. Table 6 shows a list of the major export support programs of SBC, KOTRA, and KITA, categorized by the types of support. However, the table contains programs that are not introduced in this report, and in fact, there are still many other programs that are not listed in the table.

Classification of support type is not clear, because in most cases, various services are provided under the umbrella of one specific program, which makes it difficult to categorize the characteristic of the program as one specific type. However, the categorization covers general types of programs by their characteristics.

There is a couple of noteworthy programs that are not introduced in this chapter. One is a program that supports SME's acquisition of international standard certification. This program provides services for SMEs such as technical consulting, product assessment, issues a certification along with partial (50 - 70%) financial support, etc. SMEs can apply for the program through SMBA, but the actual program is managed by Korea Testing Laboratory (KTL).

The other program is operated by TIPA and it supports R&D of exporting SMEs. This may be the only R&D collaborated SME export support program, while most other SME export support programs are considered as marketing support programs.

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<sup>39</sup> Here, only a few selected programs are listed. While brief introduction of each programs is explored in the text, summary of characteristics of all programs are provided in ANNEX.

**Table 6**  
**Overview of Organizations' Export Support Programs**

Type of support	KOTRA	SBC	KITA
International Business & Marketing Support	Business Trip Support Program Trade Delegation Support Program Overseas Exhibition Support Program Overseas Branch Office Program	Export Incubator Program	Trade Delegation Dispatch Program
Consulting	Trade Investment Consulting Program Export Consulting Program	FTA Consulting Program	On-spot consulting Program (Trade SOS)
Matchmaking	GPSP	Global Buyer Match-making Support Program	Online Business Matchmaking Support Program
Networking	Overseas Distribution Network Building Program	International Industry Cooperation Support Program Overseas Private Network Utilization Program	Global Buyer Conference Program
Online Marketing	B2B <sup>a</sup> Online Marketing Support Program	Online Export Support Program (Go-biz Korea)	B2C <sup>b</sup> Sales Support Program (Kmall24)
Export Beginner Support	Export Support Program for Start ups Export Beginner Support Program	Export Beginner Consulting Program Local SME's Export Marketing Support Program	Trade Beginner Consulting Service
Education & Training, Information and Market Research, Etc.	Education and Training on Global Business (KOTRA Academy) Global Market Research Support Program Export Voucher Program	Education and Training (SME Export Academy)	Education and Training (Trade Academy) Information (Kita.net) and (tradeKorea program)

Source: SBC [online], KOTRA [online], and KITA [online].

Note: a: Business to business. b: Business to consumer.

## B. SBC

According to SBC's website<sup>40</sup>, export support services are provided according to their status in exporting activity; 1) stage of pre-engagement, 2) initial stage of exporting, and 3) advanced stage of exporting. However, it can be considered that the SBC is responsible for supporting SMEs in pre-engagement stage and initial stage, and KOTRA is considered to be more responsible for SMEs in the advanced stage. While many export support programs and services are listed in the SBC website, 5 notable programs are selected based on Biz-info and SMBA (2016).<sup>41</sup>

### 1. Major export support programs of SBC

#### (a) Export Incubator Program

The purpose of the Export Incubators is to stimulate overseas advancement and export expansion of SMEs by providing office space, consulting by legal advisors, various administrative supports (help SMEs with early settlement with translators, visa, etc.), interagency link support (provide link with export related organizations such as Korea trade center, K-sure, etc.), and 'Short-term Export

<sup>40</sup> (hp.sbc.or.kr).

<sup>41</sup> As of 2016, SBC is consisted of 66 offices, 31 regional headquarters, 6 local training institutes, and 1 center.

Incubator.<sup>42</sup> SBC has installed export incubators in major cities of the U.S., the EU, China, Japan, Vietnam, Singapore, India, Mexico, Brazil, Germany, Russia, UAE, and Kazakhstan.

***(b) Local SME's Export Marketing Support Program***

For this program, SBC collaborates with the local government and KOTRA to support SMEs in remote area. SBC provides typical marketing supports such as overseas exhibition, dispatching trade delegation to foreign countries, global buyer consulting, export conference in Korea with global buyers, etc. SBC collaborates with KOTRA to provide overseas branch office, global market research, and various overseas business trip support. For overseas exhibition and trade delegation, SMEs are provided with transportation fee, translator, booth rental fee, buyer consulting fee, etc.

***(c) Online Export Support Program (Go-biz Korea)***

This program supports online activities of SMEs with various services; 'Business Follow-Up Service,' 'Global Trade Marketing Service,' 'B2C Service,' 'Global e-commerce,' and 'Online Trade Consulting' are provided for free, while 'Foreign Language Website Development Service' and 'Search Engine Service' are provided with co-payment basis.

'Business Follow-Up Service' provides SMEs with translation, buyer matchmaking, marketing, consulting, etc., as well as support for buyers who desire to visit Korea. 'Global Trade Marketing Service' provides online support for both SMEs and their products by developing SME's website, promotion through global e-commerce, target marketing, enquiry<sup>43</sup> management, follow-up service, etc. 'Global e-commerce' supports localization and marketing of SMEs and allows global buyers to access the information on Korean SMEs and provides supports similar to 'Global Trade Marketing Service.' 'B2C Service' supports SMEs to register their products on well-known global B2C websites such as eBay, Amazon, Taobao, Qoo10, Rakuten, etc. Supports provided by this service includes website development in foreign language, customer service, product shipping, etc. 'Online Trade Consulting' operates question and answer (Q&A) and frequently asked questions (FAQ) webpage where trade experts respond to various questions related to export.

'Foreign Language Website Development Service' translates and develops SME's Korean website in either English, Chinese, or Japanese, and also provides webhosting and domain name, and consulting. 'Search Engine Optimizing Service' utilizes Search Engine Optimization (SEO) to promote and expose SME's foreign language website on popular web portals such as Google, Yahoo, Bing, etc. Also, this service analyzes SME's current website to modify the contents, design, and structure for optimization, as well as consulting, benchmarking competitors, etc.

***(d) Global Buyer Matchmaking Support Program***

This program consists three export support services, which are 'Business Matchmaking Service (BMS),' 'Visitor Assistance Program (VAP),' and 'Korean Young Business Export Supporter Program.'

BMS supports SMEs' export by providing various consulting throughout the entire matchmaking process and supporting global buyers who are interested in purchasing products from Korean SMEs. In addition to finding potential SMEs capable of manufacturing the products that global buyers are interested in purchasing, Go-biz Korea provides the list of these offers made by global buyers where SMEs can view and accept the offers on their own.

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<sup>42</sup> Short-term Export Incubator is provided to SMEs visiting overseas for short term purpose and the service is provided for less than 14 days at a time and limited to 30 days per a year, for free. The services provided are similar to the regular export incubator; office space, consulting, service/administration, and additional support of information service.

<sup>43</sup> Enquiries are offers, requests, and various others questions asked by buyers or customers.

VAP dispatches trade experts to ensure successful meeting between SMEs and global buyers who are visiting Korea. Trade experts assist SMEs with translation, consulting, contract analysis, product presentation on behalf of the SMEs, etc.

‘Korean Young Business Export Supporter Program’ enhances export performance of SMEs that had no experience in export activity, by establishing infrastructure for online marketing, finding target buyer, and supporting exporting process.

### *(e) International Industry Cooperation Support Program*

This program supports globalization of SMEs by enhancing industrial cooperation between Korea and foreign countries, and operating APEC SME Innovation Center (SMEIC). The program supports Korean SMEs' technology cooperation with international enterprises and institutions, and also supports overseas expansion and localization of Korean SMEs by hosting international conferences, seminars, and exhibitions; dispatching overseas cooperation delegation, concluding MOU with international organizations, etc. As of February of 2015, SBC had concluded MOU with 67 agencies in 41 countries to support Korean SMEs' international technology cooperation.<sup>44</sup> Also, this program operates the overseas bases in China, the U.S., Indonesia, and Malaysia. These overseas bases support localization and overseas expansion of the SMEs by providing various consulting, investment strategy, business matchmaking, etc.

APEC SMEIC supports SME innovation of APEC member countries. The main purpose of APEC SMEIC is to enhance innovation capacity of SMEs by establishing cooperative network and to support inclusive growth by supporting business cooperation among SMEs of APEC.

## **C. KOTRA**

Out of 225 export support programs implemented by the government, KOTRA is in charge of 13 programs (in detailed category). However, KOTRA is providing various sub-programs within the context of those 13 programs and budget based on their own plans and strategies. In case of KOTRA, 42 SME support programs and services are currently listed in Biz-info and SMBA (2017).<sup>45</sup>

### **1. Major export support programs of KOTRA**

#### *(a) Trade Investment Consulting Program*

This program provides consulting to resolve difficulties related to trade investment, and provides market and export capacity analysis. Consulting can be done over the phone, online, or in person at KOTRA's office, depending on the assist needed by SMEs. Consulting are provided by trade investment experts and lawyers on subjects such as export and international investment procedures and regulations, contracts and certifications, insurance, customs, tax, etc. Additionally, this program provides on-site consulting by ‘Mobile KOTRA.’<sup>46</sup> Mobile KOTRA provides global competence level (GCL) test<sup>47</sup>, analysis on global market, and recommendation on other available programs to provide further consulting.

<sup>44</sup> For instance, ‘Korea-Japan Convention’ launched in 1997, and ‘East Asia Roundtable’ which is an annual conference for SME supporting institutions of Korea, Japan, Malaysia, Thailand, and Vietnam is under operation since 2007.

<sup>45</sup> As of 2017, KOTRA is consisted of 5 divisions with 22 departments and 16 centers, and maintains 126 offices in 84 countries.

<sup>46</sup> A service where a consultant visits the SMEs located in remote areas.

<sup>47</sup> Free test provided by KOTRA that measures and analyzes SMEs' export capacity, level of development, strength and weakness, etc.

### *(b) Export Consulting Program*

This program supports SMEs' export by providing one-on-one consulting for Korean SMEs with global buyers by inviting potential global buyers to export conferences hosted in Korea. KOTRA collaborates with the local government and other organizations to schedule various export conferences throughout the year, such as general, product specific, and region-specific conferences. Global buyers are selected and invited depending on products promoted by different conferences. The program also provides marketing service for products that are being promoted by the conferences, and follow-up service.

### *(c) Global Market Research Support Program*

As the title implies, this program provides information on global market through market research, as well as business matchmaking between SMEs and potential global buyers, confirmation of buyers' information, and finds potential raw material suppliers. Market research provides various information on market trends such as demand, tax, market price, product, import and export, etc.

### *(d) Business Trip Support Program*

This program utilizes overseas KOTRA offices to support SMEs when entrepreneurs need to go on overseas business trip. It provides services such as 'Overseas Sales Business Trip' and 'Overseas Investment Environment Research Business Trip.'

'Overseas Sales Business Trip Service' provides regular and premium services with different fee. Both regular and premium services provide buyer consulting, a conference room, business trip related information, etc. Premium service provides car rental and a translator while regular service only provides information on how to acquire them. 'Overseas Investment Environment Research Business Trip Service' provides information on investment related organizations, investment environment of the target area, and business trip related information similar to information provided by 'Overseas Sales Business Trip Service.'

### *(e) Trade Delegation Support Program<sup>48</sup>*

This program supports global expansion and export of SMEs by providing export consulting with local buyers in foreign countries. Services provided by this program includes report on product marketability at local market, one-on-one export consulting with local buyers, provision of local market information, marketing of products in collaboration with KOTRA Brand<sup>49</sup>, and follow-up service.

### *(f) B2B Online Marketing Support Program*

This program uses KOTRA's B2B online marketplace 'buyKOREA'<sup>50</sup> to support various online transaction process as well as international marketing, and provides global buyers' information to Korean SMEs. Services provided by 'buyKOREA' includes registration of exporting products to 'buyKOREA,' allowing SMEs to view purchase offer made by global buyers, online payment, sending and receiving enquiries between potential buyers as well as viewing buyers' information, express shipping by KOTRA, other offline events, etc. This program provides not only online marketing services but also all related services such as logistics and financial transactions, etc.

### *(g) Overseas Exhibition Support Program*

KOTRA collaborates with other related organizations to establish a designated booth, 'Korea Hall,' at various overseas exhibitions in which to support product marketing and participation of Korean SMEs. This program supports participants by providing services such as partial funding (exhibition booth rental and installation

<sup>48</sup> Trade Promotion Delegation is the sales team organized by KOTRA, the local government and other related organizations that are dispatched to foreign countries for sales promotion of their products.

<sup>49</sup> Marketing support program that provides 'KOTRA Brand' logo for the high-quality products manufactured by Korean SMEs. Logos are used for international marketing, which assures that the product qualities have been verified by KOTRA.

<sup>50</sup> [www.buykorea.org](http://www.buykorea.org).

fee, display-product shipping fee, etc.), administration (provide exhibition pass, travel agency information, directory, etc.), and marketing (provides list of potential buyers, follow-up service, etc.)

#### ***(h) Overseas Distribution Network Building Program***

This program is provided by 21 overseas KOTRA offices in 13 countries, where KOTRA makes partnership with the local distribution companies to support Korean SMEs to utilize them at reduced cost. In addition to providing distribution centers to SMEs, this program provides services such as logistics consulting, supporting export and import process (assisting customs procedure, storage, shipment to consumers, etc.) and follow-up service (product refund service, etc.).

#### ***(i) Education and Training on Global Business***

This program, provided by 'KOTRA Academy,' provides education and training program on information and know-hows related to trade and investment. It provides educational courses on 'global target area specialist training,' as well as 'international business,' 'industry-specific global market development,' 'FTA specialist training,' 'overseas-dispatched worker training,' and even 'training for the government officials of developing countries.'

#### ***(j) Export Support Program for Start-ups***

This program promotes global expansion of start-ups through various services. The services provided by this program are; 1) hosting summit and providing showcase, investment related conference, forum, etc. for start-ups, 2) business matchmaking for domestic start-ups with global enterprises by promoting joint development, 3) providing network and one-on-one consulting with local enterprises and venture capitals by dispatching start-up delegations to potential global market (Beijing, Tokyo, Berlin, etc.), and 4) establishing infrastructure that can accelerate start-ups' expansion, etc.

#### ***(k) Export Beginner Support Program***

The main purpose of this program is to promote global expansion and support export for SMEs that lack experience or have not been exposed to export activities. The program supports SMEs for a year by providing services such as providing enquiries, global market information, consulting with global buyers who are visiting Korea, and various consulting services provided by export business experts. Although the duration of this program is only for a year, if SMEs are not able to gain minimum profit set by the program, SMEs may choose to stay in the program for another year.

#### ***(l) Overseas Branch Office Program***

This program provides overseas offices of KOTRA, SBC, and Overseas Korean Traders Association (OKTA), to act and be used as branch offices of domestic SMEs. These overseas offices provide market research and supports SMEs to find new export lines in foreign countries. In addition to acting as branch offices, the program provides services that are separated into entry level, developing level, and expanding level, depending on SMEs' level of export capability.

Entry level service provides services such as market research, analysis on export potential, consulting, and finding potential global buyers. Developing level service provides consulting, research on market trend, brand marketing, managing current and future business partners, etc. And for expanding level service, it provides services such as export incubating, promoting international investment, global expansion, investment support, etc.

#### ***(m) Export Voucher Program***

As it was already mentioned, Export Voucher is a new program of MOTIE and SMBA, introduced in 2017. The voucher that lists various export support programs and services provided by different

organizations such as KOTRA and SBC, is given to SMEs and middle-standing enterprises<sup>51</sup>, where they can select specific programs to their own needs.

The voucher is separated into four stages and each stages are categorized into sub-groups by fields that list the available export support programs that SMEs can choose from; 1) preparation stage with sub-groups as development and manufacturing, consulting for export strategy, and education, 2) beginning stage with sub-groups as promotion and marketing, research, conference and exhibition, and business matchmaking, 3) contract stage with sub-groups as before and after signing the contract, and 4) global expansion as a stage and a sub-group itself.

## D. KITA

KITA is the largest SME internationalization supporting organization in private sector and is operated basically on member basis.<sup>52</sup> Almost all Korean enterprises that are exposed to any kind of international business activities can be presumed to be members of KITA.<sup>53</sup> However, considering the fact that more than 95% of 72,000 members of KITA are SMEs, it can be said that beneficiaries of KITA's export support programs and services are mostly SMEs.<sup>54</sup>

Currently, KITA is making an effort to provide e-commerce platform for Korean enterprises. KITA has been operating 'tradekorea.com' that is an e-commerce platform tailored to support B2B e-commerce since 2008, and began to operate 'kmall24.com' that is an e-commerce platform tailored to support B2C e-commerce since 2014. KITA believes that the role of these e-commerce platforms are continuously increasing and that it may be one of the most important tool for supporting export of SMEs in the future.<sup>55</sup>

### 1. Major export support programs of KITA

#### (a) *On-spot Consulting Program (Trade SOS)*

This program supports traders and enterprises that need advice on exports by providing consulting in various fields, which are international patent, export and import procedure, letter of credit (L/C) and payment, FTA, customs, standards and certification, international contract and claim, tax and accounting, foreign exchange risk, etc. Consultants are consisted of group of experts such as lawyers, certified public accountants, customs agents, etc. SMEs may choose to have consulting over the phone, online, or in person at KITA's office.

#### (b) *Online Business Matchmaking Support Program*

This program, provided on 'tradekorea.com,' supports international marketing and business matchmaking by utilizing B2B e-commerce that provides services such as buyer DB target marketing, international business matchmaking, and regular big buyer matchmaking service.

Buyer DB target marketing provides KITA's DB of buyers, in which enterprises can search for potential buyers; buyer DB target marketing composes and sends business proposals to the selected buyers. International business matchmaking supports Korean enterprises by providing information on

<sup>51</sup> Middle standing enterprise is the term defined in Korea to imply enterprises that lies in between SMEs and large enterprises.

<sup>52</sup> However, it operates a few export support programs and services funded by government budget (mostly from MOTIE) and it is impossible to identify which programs and services are provided by government budget or to identify precise portion of government budget from the total budget of KITA.

<sup>53</sup> KITA provides trade certificate and Custom's registration number for members. In this regard, all enterprises that are exposed to any kind of trading or international business can be regarded as members of KITA.

<sup>54</sup> Based on the interview with Park, Chunil (Spokesman of public relations office, KITA).

<sup>55</sup> Based on the interview with Shin, Cecilia Sunyoung (Director, B2C service department, KITA) and Jeon, Jeehoon (Manage, TradeKorea department, KITA).



global buyers. Global buyers are selected by marketing office and overseas branches of KITA, after one-on-one target marketing on potential buyers that meet the specifications provided by Korean enterprises. Regular big buyer matchmaking service acts as a trade agent, where it invites global buyers to online and provide business matchmaking with Korean enterprises.

*(c) B2C Sales Support Program (Kmall24)*

This program, simply Kmall24, provides e-commerce that allows Korean enterprises to promote and sell their products online. Kmall24 supports the enterprises by developing product webpage as well as providing m-commerce<sup>56</sup>. Kmall24's website<sup>57</sup> is provided in English, Chinese, and Japanese, and products registered on Kmall24 also get featured on Amazon, Amazon Japan, Tmall, and eBay. It also provides distribution related services such as inventory control, product inspection, repackaging, etc., as well as operation related support such as customer service, customer enquiries management, B2B enquiries management, etc.

*(d) Global Buyer Conference Program*

This program provides business matchmaking for Korean enterprises with global buyers, and consulting with the matched global buyers at trade conferences hosted in Korea. KITA schedules various trade conferences throughout the year, where global buyers are invited and provide consulting for Korean enterprises. For 2017, Global Buyer Conference service has scheduled 13 conferences with 850 Korean enterprises participating the events (SMBA, 2017). Additionally, this program provides seminars, forums, etc. at the conference.

*(e) Trade Delegation Dispatch Program*

This program supports dispatch of trade delegations to the foreign countries, and have consulting with potential buyers. The program provides fees for a translator, vehicle (rental or other local transportation), banquet and other events (business forum and seminar), and conference room (rental and other related expenses).

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<sup>56</sup> Type of e-commerce provided on mobile phones.

<sup>57</sup> [www.kmall24.com](http://www.kmall24.com).

## IV. Implication for Latin America and the Caribbean regions

It is one of the most important missions of the government authorities to support internationalization and export of their local SMEs in the era of globalization. However, it is not an easy task to establish a comprehensive support system of the programs that Korea is currently providing for Korean SMEs. Neither export supporting agencies such as KOTRA and KITA, nor a comprehensive SME policy implementing organization such as SBC, are easy to establish.

Furthermore, it is not recommended to simply adopt a certain program that may look applicable or suitable for certain countries. It is necessary to understand the specific development history of each program, when countries with different systems are considering to adopt a program that may look appropriate for them. A successful program in a certain country does not ensure the success in a different country, unless the program is adequately amended and operated in appropriate circumstances.

Korea has followed different paths of economic development and shares different economic, social, political, and cultural system than that of foreign countries. In fact, not a single program currently existing in Korea is operating in an original way as it was first initiated. Every SME support policies and programs have been modified almost every year. Some policies and programs had even ceased at the end of the year, and some of these abolished programs have revived again.

The current SME export support system is the legacy of the Korean economic development history and the result of trials and errors that occurred in the midst of supporting export of Korean enterprises for the past 60 years. Establishment of the current SME internationalization or export support system took a long time to settle down to the contemporary system. In other words, it is not possible to generalize and recommend a few dominant programs, since different countries and their SMEs have their own wide spectrum of specific features.

Nonetheless, considering previous discussions and insights taken from interviews on these issues, the following are recommended.

First, authorities responsible for SMEs need to make an effort to induce global entrepreneurship.

According to the survey conducted on 1,000 Korean SMEs, it has been found that more than 60% of SMEs that are not currently exposed to any international activities, responded that they do not think that they need to internationalize their companies or products; more than 70% of those 60%

answered that it is because that they are domestic consumer oriented enterprises. Also, about 25% of SMEs that are not currently exposed to any international activities responded that they do not know how to initiate international business even though they want to export their products.<sup>58</sup>

One of the most important success factors of supporting internationalization of local SMEs is inducing the will and mindset. In case of Korea, KOTRA is operating 'KOTRA Academy,' KITA is operating 'Export Academy,' and SBC is operating 'SME Export Academy,' which all provide information, education, and training that are related to international business. Individual curriculum of those academies are different from organizations to organizations, but their programs cover from 'education for SMEs that are not exposed to any international activities' to 'specialized training courses for those that are currently exposed to international business.'

Second, it is recommended to establish an e-commerce platform at the governmental level.

The very basic idea of this recommendation is that it makes it easy for global buyers to find products rather than having local SMEs to find global buyers for their products. International business is an expensive task for most enterprises regardless of their sizes, not only for SMEs. It is not an easy task, even for the organization such as KOTRA, to collect and analyze information on global market, local distributors, foreign customs, different laws on local business, etc. In the meantime, marketing based on ICT is the best way to overcome one of the most hindering barriers for SMEs' internationalization that arises from geographical distance.

An e-commerce platform established by a credible institution or the government, can be connected with various global B2B and B2C e-commerce, such as Amazon, eBay, Alibaba, and Taobao, etc.<sup>59</sup> It is also possible to be connected to Korean e-commerce platforms, such as 'tradekorea.com' and 'kmall24.com' of KITA, by concluding MOU with them.

While establishing export supporting agency or organization similar to KOTRA or SBC is not possible in a short period of time, it is comparatively easy to establish an e-commerce platform, since the technology for system development and platform construction process is very much modularized. However, it is still an expensive mission to complete the system, because the system must be equipped with both online and offline operational system, such as logistics and customs clearing. For this reason, it is recommended to make use of various 'official development assistance' (ODA) programs provided by developed economies.

Third, export supporting agencies need to make efforts to provide on-site services as possible as they can.

SMEs are defined and categorized as 'SMEs' because they are fundamentally in short of human and financial resources. It is not easy for SMEs to spare their time to participate in various programs provided by SME supporting agencies, even though SMEs may think that those programs are helpful and want to participate in them. Participating in SME support program can take time and money, which is not an easy decision to make for SMEs.

In case of Korea, many SME supporting organizations are currently providing on-site services. For an instance, 'SME Export Academy' operated by SBC, provides on-site education service in the local area when 10 to 15 candidates get together and submit their request for the program as a group. KOTRA is operating 'Moving KOTRA' program that provides on-site consulting to the request of SMEs. Similarly, 'Trade SOS' program operated by KITA also provides on-site consulting to the request of enterprises. These on-site programs and services are especially recommended for enterprises located in remote area.

Fourth, it is recommended to encourage local SMEs to establish a 'Common Brand' and 'common production system,' and support them to list their products on the global e-commerce platform.

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<sup>58</sup> J.H. Lee, 2006.

<sup>59</sup> Korea established a Korean mall in the B2C platform 'Tmall.com' of Alibaba on May, 2015.

It is almost impossible for products produced by local SMEs to be recognized by global buyers. Also, it is generally impossible for local SMEs to realize the economies of scale to meet the tremendous amount of orders, even if they are recognized by global buyers.

SME supporting agencies can form a team of experts to assess the possibility of launching a common brand among a group of SMEs that produce similar products.<sup>60</sup> However, various supports must be followed to successfully carry out the mission, even if there is a possibility of launching a common brand. It needs technical assistance all along the whole value chains of the product, such as quality control to standardize the product, branding, designing, packaging, logistics, and even follow-up service.

It would be much easier for export supporting agencies to list the common brand products on the domestic e-commerce platform or on global B2B and B2C e-commerce, such as Amazon, Alibaba, etc. One of many obstacles that obstruct internationalization of SMEs is under-recognized brand name of products produced by individual SMEs. Common brand is one of the best ways to strengthen the brand power of under-recognized SME products in global market. It would be comparatively easy for export supporting agencies to find global buyers for common products than to find buyers for products produced by local SMEs, which have not been exposed to global market before.

Fifth, authorities that are responsible for SMEs and export of SMEs should be aware of the implications of GVC issues.

It is reported that added value generated in tangible sector, such as manufacturing and assembly, has been decreasing for the past five or six decades, while added value generated in intangible sector has been increasing since the 1970s (OECD, 2013). According to OECD and WTO (2013), domestic value added contents of gross export of Korea had dropped from 76% in 1995 to 59% in 2009, which was the lowest level among OECD countries. According to Xing and Detert (2011), China was generating only 6.5 USD per one 'iPhone 3G,' which was exported at 179 USD per unit, while many other 'parts and components' supplying countries were generating rest of the values.

Korean authorities that are responsible for supporting SMEs' export have not been very well aware of these issues for a long time, but they have begun to be aware of these issues and started to pay more attention on providing programs that can support SMEs to integrate into various GVCs (Lee, Song, & Lee, 2013).<sup>61</sup> What these notions are implying is that the government authorities need to know where their local SMEs would be placed in GVCs, when the government authorities support export or overseas expansion of local SMEs.

It may not look as an imminent issue for the countries struggling to identify any product that has potential to be internationalized and exported to global market, but the issue of integrating local SMEs of developing countries into GVCs, is one of the most important issues for the local authorities of developing economies.

Sixth, make efforts to identify and provide what local SMEs need, instead of providing what authorities think the local SMEs want or need.

Policy makers and staffs in government related organizations are generally and comparatively better educated and internationalized than most entrepreneurs, especially in developing countries. These policy makers and staffs might have tendency to think that they know much more than what SMEs know about international business. It has been reported that there is misconception between SMEs and policy makers on what SMEs want for internationalization (OECD & APEC, 2006). In case of Korea, a survey

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<sup>60</sup> In case of Korea, there is a program that supports establishment of a common brand when more than five SMEs group together and submit the application. However, the program is not provided under the category of export support programs and is not listed in this report.

<sup>61</sup> So far, 'Global Partnering Program' can be the best practice of the program operating based on the concept of GVC in Korea. The Korean government and KOTRA are planning to expand the scope and coverage of the program for 2017 and have allocated more budget for the program in 2017 than 2016.

conducted on Korean SMEs about the degree of satisfaction and effectiveness of SME export support programs, turned out to be very low (J.H. Lee, 2006).

It is assessed that the misconception between policy providers and beneficiaries about the needs for internationalization of SMEs, might be the main problem for such results from the survey. It is recommended to pay careful attention to the needs of SMEs, and try to reflect those requests in the program as possible, as they can increase the performance of the programs in practice.

Lastly, policy makers should pay more attention to the inward aspect of internationalization. Inward internationalization is not implying simple import of goods, services, etc., but rather import of technology, global entrepreneurship, international management know-hows, etc., that might have long lasting positive impact on outward internationalization of local SMEs.

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## Online Website Reference

KITA: [www.kita.net](http://www.kita.net).

Woori Bank: <https://www.wooribank.com>.

KOTRA: [online] [hp.kotra.or.kr](http://hp.kotra.or.kr)

KOTRA's export voucher program [online] [www.exportvoucher.com](http://www.exportvoucher.com)

KOTRA's start-up Facebook [online] <https://www.facebook.com/startupmeeting.page>

MOSF [online] [www.mosf.go.kr](http://www.mosf.go.kr)

SBC [online] [hp.sbc.or.kr](http://hp.sbc.or.kr)

## **Annexes**



## Annex 1

### Explanation of Variables in Templates

Name of Program	Korean is difficult to translate to English and to understand when word for word translation is given. For this reason, many of words and terminologies in Korean names are given liberal translation.
Implementing Institution	Implementing institution is the organizations that actually operates or provides the programs
Website	Website for the organization is provided, and webpage for the specific program is provided in the parenthesis if it is available
Purpose of the Program	All programs listed in here are SME export support programs. However, specific purpose of the program is identified when and if it is necessary.
Year of Creation	Almost all programs are difficult to identify the year of creation because the programs have been modified in the midst of policy development, and their names constantly changed to the needs of different operators of the program. However, the year of creation is identified when available.
Total Budget per Year	It is difficult to identify the exact amount of budget of a specific program because the organizations treat them as confidential information. Organizations provide their own particular programs within the limit of budget allocated by MOST to the (detailed) category of export supporting programs.
Maximum Amount for each SMEs	There are limits of supports available per each SMEs because of the budget limit. However, supports can be provided without limit until budget is exhausted. The limits are identified case by case.
Condition for Application	Every programs listed in the templates are eligible for all SMEs. However, many programs are provided based on various conditions. For example, application is restricted to SMEs that meet the certain exporting record of previous years. Conditions are identified as specific as possible in the templates.
(Fee) Non-refundable /co-financed resources	Many programs, listed in the templates, are subsidized by the government budget. Many programs are free, however, some are operated on the basis of entry fee, registration fee or partial/conditional exemption of fees, etc. Various funding condition are listed case by case.
Technical Assistance	Services and supports provided by principal agent of the programs under the name of the programs are listed. It includes indirect supports such as consulting, and provision of office space and market information, etc.
Procedure of Process	Entire process of the program, from application through assessment and to closure, is identified if available
Period of Application	Principal agent or provider pronounce period of application for the program. Application can be submitted all (fiscal) year around, or in a certain period, depending on the characteristics of the program.
Duration of Service	Services are benefit given to the SMEs by the program. Service or support can be provided (from the date of service or support began) for couple of years from the day of eligibility or for a certain period of time, or up until budget is exhausted.
Duration of Program	Programs provide services to the SMEs. Programs can be opened for application for the whole year. However, opening period of the program for application can vary for different programs, depending on the allocated budget.
Contact for Information	Online and offline points of contact are listed
Number of assisted SMEs over past three years	Provided if available

Source: Row 1-15: SMBA, 2017; SBC [online]; KOTRA [online]; KOTRA's export voucher program [online]; KOTRA's start-up facebook [online]; KITA[online]

Note: For a reference, the January of 2017 average exchange for KRW was 1,184.58 KRW per 1 USD. (Woori Bank [online]). Data with '#' are retrieved from internal resources: Choi, Myunglae (Manager/Attorney at law, KOTRA's customer support team); Baek, Jung-Hee (Manager, SBC's marketing assistance department); Kim, Han Baek (Assistant Manager, KITA's on-site trade support department).

## Annex 2

### SME Export Support Programs of SBC

**Table A.1**

Name of Program	Export Incubator Program
Implementing institution	SBC
Website	Hp.sbc.or.kr (www.sbc-kbdc.com)
Purpose of the Program	To support localization of SMEs by providing consulting by market specialist on local market, legal and accounting consulting service, providing office in the export incubator, etc. Export incubators are buildings or space established in foreign countries
Year of Creation	1998 <sup>#</sup>
Total Budget per Year	8.8 billion KRW (2015), 9.8 billion KRW (2016) <sup>#</sup>
Maximum Amount for each SMEs	Depends on the price level of cities and countries where Export Incubator is located
Condition for Application	SMEs in export-related service business with 30% or higher of manufacturing transition rate
(Fee) Non-refundable or Co-financed Resources	Export Incubator: SMEs are responsible for 20% of the rent for the first year (50% for the second year) Short-term Export Incubator: Free
Technical Assistance	Provides office space, furniture, telephone and internet access, and joint conference room Consulting by marketing, legal, and accounting specialists Provides local market's information and support establishment of local marketing network Administrative support for localization and business trip of SME entrepreneurs Short-term Export Incubator: Export Incubator program for short-term visits
Procedure of Process	Submission of application (SBC) → on-spot assessment of applicant by SBC → assessment on marketability (KOTRA) → assessment and selection (Assessment Committee) → contract and move-in (SBC & SME) → Operate and Support (SBC & KOTRA)
Period of Application	All year around
Duration of Service	Export Incubator: 2 years form the first year of moving in Short-term Export Incubator: 14 days (30 days maximum per year)
Duration of Program	All year around
Contact for Information	Offline: SBC Global Business Division / SBC Regional Offices Online: www.sbc-kbdc.com / www.bizinfo.go.kr
Number of assisted SMEs over past three years	268('16) – 249('15) – 229('14) <sup>#</sup>

**Table A.2**

Name of Program	Local SME's Export Marketing Support Program
Implementing Institution	SBC
Website	<a href="http://sbc.or.kr">http://sbc.or.kr</a> ( <a href="http://hp.sbc.or.kr/websquare/websquare.jsp?w2xPath=/SBC/business/market/exhibition/area_marketing.xml">http://hp.sbc.or.kr/websquare/websquare.jsp?w2xPath=/SBC/business/market/exhibition/area_marketing.xml</a> )
Purpose of the Program	To develop global market and to support export
Year of Creation	2008 <sup>#</sup>
Total Budget per Year	12.7 billion KRW ('16) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	SMEs under the local government's jurisdiction
(Fee) Non-refundable / co-financed resources	Free: Export conference entry Co-financed: Rest of the services
Technical Assistance	Overseas exhibition, trade delegation: Partial financial support for booth (rental and installation), translator, transportation, operation fee, etc. Export conference: Provides entrance fee Overseas branch office, global market research: Partial financial support to participate in KOTRA's Overseas Branch Office Program Overseas business trip: Partial financial support to participate in KOTRA's overseas business trip support programs International marketing (localized): Varies by different programs
Procedure of Process	Devise a yearly plan (SBC, the local government, and KOTRA) → application registration (SBC and the local government) → evaluation and selection (SBC, the local government, and KOTRA) → support export (domestic activity-SBC, overseas activity-KOTRA) → follow-up service (SBC)
Period of Application	Opens few days before the program is held.
Duration of Service	Provided each time SMEs apply for the specific service within the program.
Duration of Program	All year around
Contact for Information	Offline: SBC Regional Offices / KOTRA Regional Offices of Overseas Trade Division Online: <a href="http://www.sbc.or.kr">www.sbc.or.kr</a> / <a href="http://www.bizinfo.go.kr">www.bizinfo.go.kr</a> / <a href="http://www.kotra.or.kr">www.kotra.or.kr</a>
Number of assisted SMEs over past three years	1,393('16) – 1,608('15) – 1,412('14) <sup>#</sup>

**Table A.3**

Name of Program	Online Export Support Program (Go-biz Korea)
Implementing Institution	SBC
Website	<a href="http://sbc.or.kr">http://sbc.or.kr</a> ( <a href="http://hp.sbc.or.kr/websquare/websquare.jsp?w2xPath=/SBC/business/market/exhibition/gobiz.xml">http://hp.sbc.or.kr/websquare/websquare.jsp?w2xPath=/SBC/business/market/exhibition/gobiz.xml</a> )
Purpose of the Program	To promote export through online activities
Year of Creation	1996 <sup>#</sup>
Total Budget per Year	3 billion KRW ('15) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	SMEs in the manufacturing industry or operating a knowledge-based services
(Fee) Non-refundable / co-financed resources	Free: Business Follow-Up Service, Global Trade Marketing Service, Global e-commerce, B2C Service Co-financed: Foreign Language Website Development Service (220 thousand KRW), Search Engine Optimizing Service (1 million KRW)
Technical Assistance	Business Follow-Up Service: Translate documents, support for global buyer's visit to Korea, assist negotiation, marketing support, consulting for international marketing Global Trade Marketing Service, Global e-commerce: Develop a website in foreign language, compose contract and business proposal, product marketing, search for potential buyers, manage enquiries, consulting for contract negotiation Foreign Language Website Development Service: Develop a website in foreign language (English, Chinese, or Japanese), and provide free web hosting and domain Search Engine Optimizing Service: Promote SME's foreign website on popular web portals, analyze and optimize the website (content, structure, design, etc.), provide support for benchmarking competitors, etc. B2C Service: Develop a website in foreign language, register SME's products on popular B2C website, product marketing, customer service, follow-up service, and management of sales performance Online trade consulting: Operate Q&A and FAQ webpages operated by trade experts
Procedure of Process	Public announcement of the program (SBC) → submission of application (SME) → evaluation and selection (SBC) → activate supporting program (SBC & service conducting business) → follow-up service (SBC)
Period of Application	All year around
Duration of Service	Provided each time SMEs apply for the service, but some services last to next year
Duration of Program	It varies for different programs. Some program may last short as few days and some may last longer depending on the allocated budget. Application is registered on first-come-first basis, and the program ends when the number of selected SMEs fill the limit
Contact for Information	Offline: Go-biz Korea Customer Support Office (Tel: 1588-6234 / e-mail: <a href="mailto:gobiz@gobizkorea.or.kr">gobiz@gobizkorea.or.kr</a> ) Online: <a href="http://www.gobizkorea.or.kr">www.gobizkorea.or.kr</a>
Number of assisted SMEs over past three years	1,533('16) – 1,730('15) – 1,898('14) <sup>#</sup>

**Table A.4**

Name of Program	Global Buyer Matchmaking Support Program
Implementing Institution	SBC
Website	www.gobizkorea.or.kr ( <a href="http://kr.gobizkorea.com/support/appForm/2011/bms_step.jsp">http://kr.gobizkorea.com/support/appForm/2011/bms_step.jsp</a> )
Purpose of the Program	To promote export by matchmaking with global buyers
Year of Creation	2006 <sup>#</sup>
Total Budget per Year	835 million KRW ('15) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	BMS: SMEs registered on Go-biz Korea VAP: SME that has a meeting scheduled in Korea with global buyer Korean Young Business Export Supporters: Appointed as HIT500, member of Global futures club, young business, graduates of young business school, and enterprises that has already entered the overseas distribution network
(Fee) Non-refundable / co-financed resources	Free: BMS, Korean Young Business Export Supporters Co-financed: VAP (living and transportation expenses are not financed)
Technical Assistance	BMS: Manage and provide enquiries from global buyers, search for suitable SMEs, and matchmaking Korean SMEs with global buyers VAP: Translation, revise contract, presentation in foreign language, escort buyer to the meeting place and around Korea, schedule a meeting, and follow-up service Korean Young Business Export Supporters: Develop a product website in foreign language, write circular letter, product marketing, search potential buyer, manage enquiries, advise on contract negotiation
Procedure of Process	BMS: Login to gobizkorea.or.kr (website) → search for global buyer's purchase offer → apply for the suitable purchase offer → business matchmaking → sign contract VAP: Apply for the service → confirm application → dispatch experts → follow-up service Korean Young Business Export Supporters: Submission of application with required document → evaluation and selection → hold presentation on the program → activate support program
Period of Application	Korean Young Business Export Supporters: At the beginning of the year Others: All year around. However, VAP needs to be applied two weeks prior to the buyer's visit, and can only apply twice a year
Duration of Service	BMS: Lasts until SME matches with a global buyer and signs a contract VAP: Maximum of 2 years Korean Young Business Export Supporters: Lasts until SME signs a contract
Duration of Program	Korean young business export supporters: About 2 weeks Others: All year around
Contact for Information	Offline: BMS Center of SBC's Marketing Office (Tel: 02-3667-5081, 02-3667-4996 / e-mail: vap@gobizkorea.com) Online: www.gobizkorea.or.kr
Number of assisted SMEs over past three years	1,641('16) – 1,398('15) – 1,412('14) <sup>#</sup>

**Table A.5**

Name of Program	International Industry Cooperation Support Program
Implementing Institution	SBC
Website	<a href="http://sbc.or.kr">http://sbc.or.kr</a> ( <a href="http://hp.sbc.or.kr/websquare/websquare.jsp?w2xPath=/SBC/business/global_coper/global_info.xml">http://hp.sbc.or.kr/websquare/websquare.jsp?w2xPath=/SBC/business/global_coper/global_info.xml</a> )
Purpose of the Program	To support SME's globalization through industrial cooperation with foreign countries and by operating overseas bases and APEC SMEIC
Year of Creation	1979 <sup>#</sup>
Total Budget per Year	Not available
Maximum Amount for each SMEs	Not available
Condition for Application	All SMEs
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	SME's industrial cooperation support: Host and participate in various international conferences (seminar, exhibition, overseas investment environment presentation, etc.), conclude MOU with international organizations, and dispatch overseas cooperation delegation. Overseas bases: Support localization of SMEs in foreign countries (consulting, provide investment strategy and local market data, local business matchmaking, host various events, policy advising, etc.) APEC SMEIC: Host business conference, consulting on innovation, and establish cooperative network with SMEs of APEC
Procedure of Process	Official announcement → register application → consulting → provide optimal technical assistance → link with overseas base → follow-up service
Period of Application	All year around
Duration of Service	Provided each time SMEs apply for the specific service within the program.
Duration of Program	Program as whole is opened for the whole year. However, it can vary by categorized programs.
Contact for Information	Offline: SBC's Global Program Office (Tel: 055-751-9716~8) / SMEIC (Tel: 055-751-9734) Online: <a href="http://www.bizinfo.go.kr">www.bizinfo.go.kr</a> / <a href="http://www.apec-smeic.org">www.apec-smeic.org</a>
Number of assisted SMEs over past three years	611('16) – 580('15) – 564('14) <sup>#</sup>

## Annex 3

### SME Export Support Programs of KOTRA

**Table B.1**

Name of Program	Trade Investment Consulting Program
Implementing Institution	KOTRA
Website	tradedoctor.or.kr ( <a href="http://tradedoctor.kotra.or.kr/index.td.jsp">http://tradedoctor.kotra.or.kr/index.td.jsp</a> )
Purpose of the Program	To provide free consulting service to solve difficulties of trade investment and to analyze market/export capacity of SMEs
Year of Creation	2008 <sup>#</sup>
Total Budget per Year	4.79 billion KRW ('17), 3.8 billion KRW ('16); sum of Table B.1. – B.6. <sup>#</sup>
Maximum Amount for each SMEs	It depends on the level of consulting service
Condition for Application	Any SMEs
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Trade investment experts, lawyers, KOTRA's trade facilities, and mobile KOTRA experts provide consulting on overseas expansion strategy, contract verification, certification and examinations, trade insurance, tax, customs, local market information, etc., Trade investment consulting center: Provides consulting over the phone or in person if SMEs visit the KOTRA office Trade Doctor: Provides online consulting Mobile KOTRA: Experts visit SMEs to provide consulting GCL test: Analyzes market/SME's export capacity and recommend SME support programs according to the outcome of the analysis
Procedure of Process	All the consulting are provided right after scheduling the appointment either by phone (1600-7119 or 02-3460-7219) or website (tradedoctor.kotra.or.kr or www.kotra.or.kr) GCL test: Apply for 'GCL Test' (www.kotra.or.kr) → take the online test → verify the analyzed information → 1st consulting through telephone → 2nd consulting by the experts visiting SMEs (if needed)
Period of Application	All year around
Duration of Service	Provided each time SMEs apply for the specific service
Duration of Program	All year around
Contact for Information	Offline: KOTRA Global Expansion Consulting Center (Tel: 02-3460-7219)
Number of assisted SMEs over past three years	38,977('16) – 38,036('15) <sup>#</sup>

**Table B.2**

Name of Program	Export Consulting Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM073M.html?MENU_CD=F0286&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0286&PARENT_MENU_CD=F0267)
Purpose of the Program	To provide consulting for SMEs, by inviting global buyers to Korea
Year of Creation	1963 <sup>#</sup>
Total Budget per Year	4.79 billion KRW ('17), 3.8 billion KRW ('16); sum of Table B.1. – B.6. <sup>#</sup>
Maximum Amount for each SMEs	It depends on events and industry sectors
Condition for Application	Any SMEs that wish to expand overseas; domestic enterprises, young business, venture business, etc.
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Marketing for selected products One-on-one export consulting with global buyers who are visiting Korea Follow-up service
Procedure of Process	Check yearly plan of the program from KOTRA website → apply for the program to the operating institution (KOTRA, the local government, cooperated organization) → invite buyers to visit Korea through KOTRA's overseas trade facility → one-on-one consulting with the buyer through operating institution → follow-up service through operating institution or KOTRA's overseas trade facility
Period of Application	All year around
Duration of Service	Service is provided each time SMEs apply for the program
Duration of Program	Program is provided once for a conference that SMEs have applied for
Contact for Information	Offline: KOTRA CS (Tel: 1600-7119) Online: www.kotra.or.kr
Number of assisted SMEs over past three years	9,149('16) – 5,437('15) <sup>#</sup>



**Table B.3**

Name of Program	Global Market Research Support Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM047M.html?MENU_CD=F0283&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0283&PARENT_MENU_CD=F02670)
Purpose of the Program	To provide information on global market researched by KOTRA's trade facilities in foreign countries
Year of Creation	1970 <sup>#</sup>
Total Budget per Year	4.79 billion KRW ('17), 3.8 billion KRW ('16); sum of Table B.1. – B.6. <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	Any enterprises with Korean business license
(Fee) Non-refundable / co-financed resources	Free: Confirmation on overseas import enterprise's contact information: Maximum of 6 times per year (10,000 KRW per extra) Co-financed (KRW): Business partner matchmaking (220,000), customized market research (110,000), and raw material supplier research (220,000). Top 30 enterprises selected by fair trade commission must pay the fee twice the regular fee
Technical Assistance	Business partner matchmaking: Research on global buyers and support trade negotiation with selected buyers Customized market research: Research on various market trend (demand, import/export, tax, market price, distribution system, quality certification system, etc.) Confirmation on enterprise's contact information: Confirm existence and reliability of the enterprise and its representative contact information Raw material supplier research: Finds raw material suppliers for SMEs
Procedure of Process	Access KOTRA webpage (www.kotra.or.kr) → apply for 'Global Market Research' program → overseas trade facilities review the possibility of the research (about 9 days) → announce the possibility → start research (about 3 weeks) → announce the result → (if applied to 'Business partner matchmaking program) support contract negotiation (about 2 months)
Period of Application	All year around
Duration of Service	Duration may vary depending on the applied service. Usually, most services take about 3 weeks and business matchmaking takes about 2 months
Duration of Program	All year around
Contact for Information	Offline: Overseas Expansion Consulting Office (Tel: 02-3460-7337~9) Online: Overseas Expansion Consulting Office (e-mail: josa@kotra.or.kr), www.kotra.or.kr
Number of assisted SMEs over past three years	3,967('16) – 2,207('15) <sup>#</sup>

**Table B.4**

Name of Program	Business Trip Support Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM061M.html?MENU_CD=F0284&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0284&PARENT_MENU_CD=F0267)
Purpose of the Program	To support business trip and related activities through KOTRA trade facilities
Year of Creation	Not available
Total Budget per Year	4.79 billion KRW ('17), 3.8 billion KRW ('16); sum of Table B.1. – B.6. #
Maximum Amount for each SMEs	Not available
Condition for Application	Any SMEs with business license Can only apply to 122 selected trade facilities Cannot apply to the countries prohibited to be traveled by the government Top 30 enterprises selected by fair trade commission must pay the fee twice the regular fee
(Fee) Non-refundable / co-financed resources	Regular service (KRW): 300,000 ~ 500,000 Premium service (KRW): 600,000 ~ 1,000,000
Technical Assistance	Overseas Sales Business Trip: Regular service: Consulting with a buyer (maximum of 4 times), provide information on making reservation (hotel, car rental, translator), and provide adequate place to hold consulting Premium service: Consulting with a buyer (maximum of 4 times), provide a translator and a car (2 days), provide information on making hotel reservation, and provide adequate place to hold consulting Overseas Investment Environment Research Business Trip: Provides information on investment environment of areas that trade facilities are in charge, consulting with local Korean investment companies and other investment related organizations and agencies, law firms, etc.
Procedure of Process	Access KOTRA webpage (www.kotra.or.kr) → apply for 'Overseas business trip' program (4 weeks prior to business trip) → overseas trade facility examines the possibility of support (about 2 weeks) → if support is possible, service estimate is sent to SME → SME pays for the fee and prepare for the business trip (about 2 weeks) → proceed to scheduled business trip
Period of Application	All year around Have to be applied at least 4 weeks before the actual business trip
Duration of Service	It takes about 4 weeks: Examination of the possibility of the service (2 weeks) and preparation for the business trip (2 weeks)
Duration of Program	All year around
Contact for Information	Offline: Overseas Expansion Consulting Office (Tel: 02-3460-7334)
Number of assisted SMEs over past three years	286('16) – 159('15) #

**Table B.5**

Name of Program	Trade Delegation Support Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM065M.html?MENU_CD=F0285&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0285&PARENT_MENU_CD=F0267)
Purpose of the Program	To support overseas expansion and export of SMEs by providing consulting with global buyers.
Year of Creation	1963 <sup>#</sup>
Total Budget per Year	4.79 billion KRW ('17), 3.8 billion KRW ('16); sum of Table B.1. – B.6. <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	Any SMEs that wishes to expand overseas
(Fee) Non-refundable / co-financed resources	Free: Entrance fee, estimated overseas working expenses are financed by the dispatching organization Any private cost from travel (hotel, flight fare, etc.) are not financed
Technical Assistance	Market research on expected exportable products One-on-one export consulting with a buyer Provide global market information and marketing using the KOTRA Brand Provide follow-up service after the export consulting
Procedure of Process	Check yearly plan of the program at KOTRA webpage (www.kotra.or.kr) → apply to the institution dispatching the delegation (metropolitan or the local government, related organizations, etc.) → research on marketability of the expected exporting product (operated by overseas trade facilities) → dispatching organization selects the suitable SME and dispatch trade delegation → hold one-on-one consulting with a buyer selected by the overseas trade facilities → follow-up service by overseas trade facilities
Period of Application	All year around
Duration of Service	Service duration varies by SMEs
Duration of Program	Duration of program as a whole is all year around However, duration of each program may vary depending on the organization and the country Program's duration could be as short as few days and as long as a whole month
Contact for Information	Offline: Strategic SME Support Office (Tel: 02-3460-7330~3)
Number of assisted SMEs over past three years	3,498('16) – 1,795('15) <sup>#</sup>

**Table B.6**

Name of Program	B2B Online Marketing Support Program
Implementing Institution	KOTRA
Website	www.buykorea.org
Purpose of the Program	To support any transaction process with global buyers through buyKOREA
Year of Creation	1990 <sup>#</sup>
Total Budget per Year	4.79 billion KRW ('17), 3.8 billion KRW ('16); sum of Table B.1. – B.6. <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	Any SMEs that wishes to export through online
(Fee) Non-refundable / co-financed resources	Not available
Technical Assistance	Allows SMEs to: Register product on the webpage (up to 50 per ID) Search for buyer offers and send/receive enquiries Pay export price using KOTRA Online Payment Service (KOPS) Ship exporting products (with 16% discount) Hold video conference with buyers Check information on global enterprises (free up to 200 per year) Apply for KOTRA's offline business events
Procedure of Process	Register as business member at KOTRA → log in to buyKOREA webpage (www.buykorea.org) → register product → search for offers → send out enquiries to buyers → send estimates → check payment → ship product to the buyer
Period of Application	All year around
Duration of Service	All year around
Duration of Program	All year around
Contact for Information	Offline: Strategic SME Support Office (Tel: 02-3460-7328) Online: Web manager of buyKOREA.org (e-mail: buykorea@kotra.or.kr)
Number of assisted SMEs over past three years	11,165('16) – 11,459('15) <sup>#</sup>

**Table B.7**

Name of Program	Overseas Exhibition Support Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM086M.html?MENU_CD=F0335&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0335&PARENT_MENU_CD=F0267)
Purpose of the Program	To operate the designated booth (Korea Hall) for SMEs at overseas exhibitions and to support individual entrance with partial financial support
Year of Creation	1963 <sup>#</sup>
Total Budget per Year	32.9 billion KRW ('17), 19.45 billion KRW ('16) <sup>#</sup>
Maximum Amount for each SMEs	For individual entrance, maximum of 5 million KRW (maximum of 2 times)
Condition for Application	Any SMEs with domestic business license
(Fee) Non-refundable / co-financed resources	Co-financed: 50% of entrance fee is funded for group entrance (within maximum range), maximum of 5 million KRW is funded for individual entrance participants of 'domestic enterprises export promoting program' get maximum of 70% financial support Free: All other services (However, entrance fees are only provided for the individual entrance)
Technical Assistance	Group entrance (Korea Hall): Provide direct cost (booth rental, equipment, and booth material shipping fee), select distribution and travel company, register for pass and directory, international marketing (support production of directory, provide list of buyers, and follow-up service) Individual entrance: Provide entrance fee and other exhibition related fees (booth rental, equipment, and booth material shipping fee)
Procedure of Process	Group entrance: Recruit and select participating SMEs through global exhibit webpage (www.gep.or.kr) → negotiation with the operation agency → support marketing in advance → participate in exhibition → follow-up service Individual entrance: Recruit participating SMEs through global exhibit webpage (www.gep.or.kr) → evaluation of the candidates → announcement of the selected SMEs → apply for fund after participating exhibition → obtain fund
Period of Application	Application is mostly held for few days during January-March and July-September
Duration of Service	Service is provided only once for the exhibition
Duration of Program	Program is held for few days during the first and second half of the year
Contact for Information	Offline: Overseas exhibition office Korea Hall (Tel: 02-3460-7291) Individually entrance (Tel: 02-3460-7280)
Number of assisted SMEs over past three years	3,053('16) – 1,586('15) <sup>#</sup>

**Table B.8**

Name of Program	Overseas Distribution Network Building Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM009M.html?TOP_MENU_CD=F0261&LEFT_MENU_CD=F0281&MENU_CD=F0281&PARENT_MENU_CD=F0267#none)
Purpose of the Program	To provide distribution related services through cooperation between KOTRA overseas trade facilities and local distribution companies
Year of Creation	2000 <sup>#</sup>
Total Budget per Year	1.48 billion KRW ('17), 4.68 billion KRW ('16) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	Any exporting SMEs and middle-standing enterprises with domestic business license
(Fee) Non-refundable / co-financed resources	Co-financed: Participation fee is 50% of the Branch Office Program's participation fee Participation fee varies by location of the distribution office and the size of the storage
Technical Assistance	Consulting on distribution method, find optimal distribution channel, and provide plans to reduce distribution cost. Provide local storage: Each enterprise can use a storage (size of 60, 120, 240 cubic meter) for a year depending on the paid participation fee Provide distribution services (customs procedure, shipping, stock management, etc.) by cooperating with local distribution company Support B2C distribution service (in New-York, LA, Chicago, and Tokyo), and provide bonded warehouse (5 places in China) Utilize returned merchandise distribution centers in China (Shanghai)
Procedure of Process	Access KOTRA webpage (www.kotra.or.kr) → apply for 'overseas distribution network' program → examine global competency by KOTRA → examine marketability and item overlapping by trade facilities → select item and calculate expected distribution fee → SMEs pay for participation fee → sign an agreement on participation → SMEs, individually, sign contracts with local distribution company → SMEs proceed to business
Period of Application	All year around
Duration of Service	All year around
Duration of Program	All year around
Contact for Information	Offline: Promising Enterprise Support Office (Tel: 02-3460-7423/7443)
Number of assisted SMEs over past three years	343('16) – 225('15) <sup>#</sup>

**Table B.9**

Name of Program	Education and Training on Global Business
Implementing Institution	KOTRA
Website	academy.kotra.or.kr
Purpose of the Program	To train and educate SMEs with KOTRA's know-how on trade and investment
Year of Creation	1965 <sup>#</sup>
Total Budget per Year	2.3 billion KRW ('17), 3.1 billion ('16) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	All SMEs
(Fee) Non-refundable / co-financed resources	Free: Customized studies on FTA for individuals currently working or building capacity for dispatched members of SME or middle-standing enterprise Co-financed: Other educational programs including studies and oversea training Participation fee varies by the course of study
Technical Assistance	Global target area specialist training: Train international marketing expert by studying expansion strategy based on regions of emerging market International business training: Train experts on contract and negotiation Industry-specific global market development: Train international marketing experts in emerging industry, and promote export of domestic enterprises through marketing studies by industries FTA specialist training: Customized studies on FTA provides study courses from Universities specialized in FTA Overseas-dispatched worker training: Build investment related strategy for dispatched members Training for the government officials of developing countries: Build trade capacity for trade investment related government department's officials of developing countries
Procedure of Process	Access KOTRA Academy webpage (academy.kotra.or.kr) → check yearly plan of the program → apply for the program Courses are filled by first-come-first basis
Period of Application	All year around
Duration of Service	It varies depending on the course of study and training Educating course takes about 7 to 30 hours Oversea training course takes about 4 to 8 days
Duration of Program	Duration of program as a whole is all year around. However, it varies depending on the course of study
Contact for Information	Offline: KOTRA Academy (Tel: 02-3497-1069/1169)
Number of assisted SMEs over past three years	3,646('16) – 2,494('15) <sup>#</sup>

**Table B.10**

Name of Program	Export Support Program for Start-ups
Implementing Institution	KOTRA
Website	<a href="https://www.facebook.com/startupmeeting.page">https://www.facebook.com/startupmeeting.page</a>
Purpose of the Program	To build global competitiveness and support overseas expansion of domestic start-up enterprises
Year of Creation	2012 <sup>#</sup>
Total Budget per Year	1.3 billion KRW ('17), 1.44 billion ('16) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	It varies by service Most common condition is young start-ups established less than 7 years
(Fee) Non-refundable / co-financed resources	Free: Participation fee Co-financed: Supports 80% of export incubator's rent for the first year, 50% for second year.
Technical Assistance	K-startup summit, global start-up frontier: Host showcases, investment related conferences, forums, networking, etc., Supply-Demand start-up support: Support cooperation development and operates M&A, OEM, and OES with global enterprises Vitalizing global start-up: Participate in start-up accelerating programs Start-up partnership support: One-on-one conference with venture capital and local enterprises Support export of domestic start-up: Support trade business, check enquiries through overseas trade facilities, and consulting by export experts
Procedure of Process	Varies by each service Submission of application at KOTRA webpage ( <a href="http://www.kotra.or.kr">www.kotra.or.kr</a> ) → assessment on product and capability by KOTRA → announcement of the review results → provide support
Period of Application	All year around
Duration of Service	All year around
Duration of Program	All year around
Contact for Information	Offline: Export Start-Up Support Office (Tel: 02-3460-7375)
Number of assisted SMEs over past three years	404('16) – 353('15) <sup>#</sup>



**Table B.11**

Name of Program	Export Beginner Support Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBSB200M.html?MENU_CD=F0356&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0356&PARENT_MENU_CD=F0267)
Purpose of the Program	To promote export of domestic enterprises
Year of Creation	2013 <sup>#</sup>
Total Budget per Year	9.1 billion KRW ('17), 4.59 billion KRW ('16) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	Any domestic enterprises with no history of export activities
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Consulting service: Consulting on export activities, consulting by providing global market information and selecting specific target Manage enquiries and arrange consulting with buyers visiting Korea
Procedure of Process	Access KOTRA webpage (www.kotra.or.kr) → register as member → take GCL test → apply for the program → evaluation of the test and selection by KOTRA → provide service to the enterprise
Period of Application	All year around The number may change depending on the total budget of the program. However, period of application ends when it fulfills the number and it is filled by first-come-first basis
Duration of Service	For a year If SME was unable to sign export contract, SME may choose to renew the program for another year.
Duration of Program	All year around
Contact for Information	Offline: Export Beginner Support Office (Tel: 02-3460-7538~40, e-mail: 2017export@kotra.or.kr)
Number of assisted SMEs over past three years	5,442('16) – 1,374('15) <sup>#</sup>

**Table B.12**

Name of Program	Overseas Branch Office Program
Implementing Institution	KOTRA
Website	www.kotra.or.kr (http://www.kotra.or.kr/kh/service/KHSBFM001M.html?MENU_CD=F0280&TOP_MENU_CD=F0261&LEFT_MENU_CD=F0280&PARENT_MENU_CD=F0267)
Purpose of the Program	To support domestic enterprises to find new global market by providing KOTRA's overseas offices to act as domestic enterprises' overseas branch office.
Year of Creation	2000 <sup>#</sup>
Total Budget per Year	25.3 billion KRW ('17), 15.18 billion ('16) <sup>#</sup>
Maximum Amount for each SMEs	Not available
Condition for Application	Any enterprises with domestic business license Large enterprises and public institutions cannot apply for this program
(Fee) Non-refundable / co-financed resources	Co-financed: SMEs are responsible for participation fee (about 1 million to 20 million KRW) Varies by region and type of service
Technical Assistance	Entry level: Market research, search for buyers, evaluate possibility of export, consulting on overseas expansion Developing level: Search for new client, support participation of conference, consulting on customs clearing, support for business trip, management of current clients, research on market and industry trend, brand marketing, register IP address, etc. Expanding level: Export and cooperation of technology, induce overseas investment, expansion of procurement, targeting expansion by items, incubator service, support for local investment, GVC, establish local branch, etc. Upper level services include services provided by lower level services
Procedure of Process	Access KOTRA/SBC/OKTA webpage → apply for 'branch office' program → trade facilities evaluate marketability and select enterprise → enterprise pays participation fee → sign an agreement → program is applied to the enterprise → apply for follow-up service
Period of Application	All year around
Duration of Service	Entry level: 6 months Developing and Expanding level: Less than 1 year
Duration of Program	All year around
Contact for Information	Offline: KOTRA Promising Enterprise Supporting Office (Tel: 02-3460-7426), SBC Global Cooperation Office (Tel: 055-751-9674), OKTA Global Business Center Program Office (Tel: 1644-9033)
Number of assisted SMEs over past three years	2,839('16) – 1,601('15) <sup>#</sup>

**Table B.13**

Name of Program	Export Voucher Program
Implementing Institution	KOTRA
Website	www.exportvoucher.com
Purpose of the Program	To support SMEs and middle-standing enterprises to easily select programs/services and their implementing organizations/institutions by providing the Export Voucher that lists programs/services by different categories
Year of Creation	2017
Total Budget per Year	17 billion KRW ('17) #
Maximum Amount for each SMEs	Maximum amount varies depending on the services applied - Ranges between 5 million to 75 million KRW
Condition for Application	Conditions vary depending on the services applied Domestic enterprises with no history of export activities are the most common condition
(Fee) Non-refundable / co-financed resources	Enterprises have to pay for participation fee (fees may vary) All services are co-financed, however, the amount funded varies by type of service
Technical Assistance	Provide a voucher containing various export programs/services categorized by their types, implementing organizations/institutions, level of export. Below are the brief list of programs/services listed by level of export, on the voucher Preparation stage: Produce foreign language webpage, translate data in foreign language, optimize design, consulting on overseas expansion strategy, educate on trade and international marketing, etc. Beginning stage: Marketing through TV/newspaper/SNS, search engine marketing, global market research, support business matchmaking, support for participating overseas exhibition, launching a new product, etc. Contract stage: Check buyer's credit, write a contract paper including payment, manage export distribution, etc. Global expansion stage: Support to build local branch office, consulting on M&A, etc. After selecting programs/services, it easily matches the enterprises to the program/service and its operating organization
Procedure of Process	Access webpage (www.exportvoucher.com) → apply to program by prioritizing type of required programs/services → pay for fee → voucher issued by operating institution → enterprises select needed services → process of the service by performing institution → balance account between operating and performing institution
Period of Application	All year around
Duration of Service	1 year starting from the beginning of the program
Duration of Program	All year around
Contact for Information	Offline: Tel: 02-3460-3423#
Number of assisted SMEs over past three years	Not applicable

## Annex 4

### SME Export Support Programs of KITA

**Table C.1**

Name of Program	On-spot Consulting Program (Trade SOS)
Implementing Institution	KITA
Website	<a href="http://tradesos.kita.net">www.tradesos.kita.net</a> ( <a href="http://tradesos.kita.net/trade_sos/hft/hft1110r.jsp">http://tradesos.kita.net/trade_sos/hft/hft1110r.jsp</a> )
Purpose of the Program	To provide consulting on trade issues
Year of Creation	2007 <sup>#</sup>
Total Budget per Year	Not available
Maximum Amount for each SMEs	Not available
Condition for Application	Trading enterprises and domestic enterprises that are planning export business
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Consulting by each field's experts (lawyer, accountant, trade experts, etc.) List of fields: International patent, export-import procedure, L/C, payment, FTA, customs, drawback, HS categorization, trade related conflict, foreign standards and certification, international contract and claim, tax, accounting, foreign exchange, etc.
Procedure of Process	Register for consulting through online( <a href="http://www.tradesos.kita.net">www.tradesos.kita.net</a> ), call center (1566-5114), or at office (KITA Members' Service Center) → assigned to an expert → consulting → confirm on consulted content
Period of Application	All year around
Duration of Service	Service is provided each time enterprises apply for the consulting.
Duration of Program	All year around. However, available time spent on consulting may vary.
Contact for Information	Offline: KITA members service center (Tel: 1566-5114) Online: <a href="http://www.bizinfo.go.kr">www.bizinfo.go.kr</a>
Number of assisted SMEs over past three years	13,630('16) - 11,180('15) - 10,500('14) <sup>#</sup>

**Table C.2**

Name of Program	Online Business Matchmaking Support Program
Implementing Institution	KITA
Website	www.kita.net ( <a href="http://www.kita.net/footer/membership/guide/index.jsp?sCmd=VIEW&amp;nPostIndex=1709574&amp;nPage=1&amp;nIpp=20&amp;sSiteId=200">http://www.kita.net/footer/membership/guide/index.jsp?sCmd=VIEW&amp;nPostIndex=1709574&amp;nPage=1&amp;nIpp=20&amp;sSiteId=200</a> )
Purpose of the Program	To support online trade between domestic enterprises and global buyers through buyer DB target marketing, international business matchmaking, and regular big buyer matchmaking service
Year of Creation	2008 <sup>#</sup>
Total Budget per Year	Not available
Maximum Amount for each SMEs	Not available
Condition for Application	member of tradeKorea.com
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Buyer DB target marketing: Provide DB of buyers, write a circular letter and send it to the buyer International business matchmaking: KITA overseas office and international marketing office perform one-to-one target marketing, send out suitable buyers' information to domestic enterprises Regular big buyer matchmaking service: Invite regular big buyers to online, support matchmaking
Procedure of Process	Buyer DB target marketing: Register product (enterprise) → search for promising buyer from DB (enterprise) → circular letter written (KITA) → send it to the buyer (KITA) → verify replies from buyer (KITA) → deliver the business matchmaking result to the enterprise (KITA) International business matchmaking: Apply for business matchmaking (enterprise) → deliver the application (KITA) → one-on-one marketing to the buyer (overseas office) → business matchmaking (buyer & overseas office) → notify the business matchmaking result (overseas office & KITA) → consulting with the global buyer (enterprise & buyer) Regular big buyer matchmaking service: Register application (enterprise) → evaluate enterprise's information to match with buyer (KITA) → send enterprise's information to the buyer (KITA) → proceed consulting (buyer & enterprise)
Period of Application	All year around
Duration of Service	Buyer DB target marketing: Member of tradeKorea.com receives 200 credit, where 1 credit can send 1 e-mail to a buyer. Members can earn credits by registering product at the website. However, number of e-mail that can be sent at once is limited to 20 e-mails International business matchmaking: Can apply only one region at a time (maximum of 3 times a year). Maximum of 15 enterprises can apply for each region (on a first-come-first basis) Regular big buyer matchmaking service: Maximum of 2 weeks
Duration of Program	All year around
Contact for Information	Offline: KITA e-Biz Strategy Office (Tel: 02-6000-5619 / e-mail: ebizcenter@kita.net ) / TradeKorea Service Center (Tel: 02-6000-4416) Online: <a href="http://kr.tradekorea.com">http://kr.tradekorea.com</a>
Number of assisted SMEs over past three years	Not available

**Table C.3**

Name of Program	B2C Sales Support Program (Kmall24)
Implementing Institution	KITA
Website	www.kita.net ( <a href="http://www.kita.net/footer/membership/guide/index.jsp?sCmd=VIEW&amp;nPostIndex=1709571&amp;nPage=1&amp;nIpp=20&amp;sSiteId=200">http://www.kita.net/footer/membership/guide/index.jsp?sCmd=VIEW&amp;nPostIndex=1709571&amp;nPage=1&amp;nIpp=20&amp;sSiteId=200</a> )
Purpose of the Program	To support overseas expansion to global market through Kmall24
Year of Creation	2014 <sup>#</sup>
Total Budget per Year	Not available
Maximum Amount for each SMEs	Not available
Condition for Application	Manufacturing and distribution enterprises with B2C products that are eligible to be shipped overseas and be sold
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Provide marketing, distribution, customer service, etc. Support B2C to switch to B2B through collaborating with KITA's matchmaking director Register product to global e-commerce (amazon.com, ebay.com, etc.) Implement PPL with products from Kmall24, on popular Korean drama Provide refunded product storage in the U.S., Japan, and China to prevent any extra cost from returning a product Implement monthly training session and seminar
Procedure of Process	Prepare required documents → apply for launching product online → evaluation → approval of launching → training → register products → approval of product → register at global e-commerce → sales
Period of Application	All year around
Duration of Service	All year around
Duration of Program	All year around
Contact for Information	Offline: KITA service center (Tel: 1566-5114) Online: www.kmall24.co.kr
Number of assisted SMEs over past three years	Not available

**Table C.4.**

Name of Program	Global Buyer Conference Program
Implementing Institution	KITA
Website	www.tradesos.kita.net ( <a href="http://tradesos.kita.net/trade_sos/hft/hft1110r.jsp">http://tradesos.kita.net/trade_sos/hft/hft1110r.jsp</a> )
Purpose of the Program	To provide one-on-one consulting with global buyers by inviting them to trade conferences hosted in Korea
Year of Creation	1962 <sup>#</sup>
Total Budget per Year	Not available
Maximum Amount for each SMEs	Not available
Condition for Application	Members of KITA and enterprises planning to expand to the specific region
(Fee) Non-refundable / co-financed resources	Free
Technical Assistance	Host trade conference Invite global big buyers to Korea to promote meetings with Korean enterprises Support business matchmaking
Procedure of Process	Public announcement → application registration → analyze buyers and sellers → business matchmaking between buyer and seller → consulting → follow-up service
Period of Application	All year around
Duration of Service	Service is provided until the end of the conference that enterprises have applied to.
Duration of Program	Varies by different trade conferences. Mostly, conferences change per month
Contact for Information	Offline: KITA Members Service Center (Tel: 1566-5114) Online: <a href="http://www.kita.net">www.kita.net</a>
Number of assisted SMEs over past three years	2,457('16) - 2,768('15) - 2,501('14) <sup>#</sup>

**Table C.5**

Name of Program	Trade Delegation Dispatch Program
Implementing Institution	KITA
Website	www.kita.net ( <a href="http://www.kita.net/footer/membership/guide/index.jsp?sCmd=VIEW&amp;nPostIndex=1709566&amp;nPage=1&amp;nIpp=20&amp;sSiteId=200">http://www.kita.net/footer/membership/guide/index.jsp?sCmd=VIEW&amp;nPostIndex=1709566&amp;nPage=1&amp;nIpp=20&amp;sSiteId=200</a> )
Purpose of the Program	To support consulting with regional big buyers through dispatching trade delegations and by cooperating with the local government and individual enterprises
Year of Creation	1950 <sup>#</sup>
Total Budget per Year	Not available
Maximum Amount for each SMEs	Not available
Condition for Application	Enterprises that are interested in expanding overseas
(Fee) Non-refundable / co-financed resources	Co-financed: Living expenses and flight fares are not provided as part of the program
Technical Assistance	Provides funds for fees and expenses for: Translation (only one translator per enterprise) Transportation (car rental) Event cost to any possible luncheon / banquet Conference room
Procedure of Process	Public announcement → register application → search and find a buyer and seller → business matchmaking between buyer and seller → dispatch a delegation → follow-up service
Period of Application	All year around
Duration of Service	Service is provided each time enterprises apply for dispatch
Duration of Program	All year around. However, each month is presented with different countries for the program
Contact for Information	Offline: KITA Members Service Center (Tel: 1566-5114) Online: www.kita.net
Number of assisted SMEs over past three years	1,029('16) - 573('15) - 363('14) <sup>#</sup>



In the Republic of Korea, public export support programmes for small and medium-sized enterprises (SMEs) have played a significant role in the internationalization process of such firms. Multiple non-reimbursable and co-financing instruments that promote export innovation among SMEs have contributed to their export success which, alongside large firms, made the Republic of Korea the world's fifth largest exporting country in 2015. This study summarizes these support programmes and some key factors in relation to their implementation, some of which may be useful for those responsible for formulating and implementing similar programmes in Latin America and the Caribbean. First, the authors highlight the continuity of these policies since the 1950s. Second, the Republic of Korea has a unique set-up of institutions supporting SMEs exports, including the Ministry of Small and Medium Enterprises and Startups, the Korea Trade-Investment Promotion Agency (KOTRA) and the Korea International Trade Association (KITA). Third, some new initiatives have been introduced recently to accelerate SME internationalization, including a voucher scheme, in which eligible SMEs can select specific types of support of their own choice. Fourth, many programmes focus on the integration of SMEs into global value chains, particularly in the case of suppliers of parts and components to large Korean firms.