

Asia-Pacific Economic Cooperation

Profile of Small and Medium Enterprises (SMEs) in the APEC Economies

APEC Small and Medium Enterprises Working Group

1998

AUSTRALIA

Definition

SMEs are defined as:

Manufacturing	: Small enterprises	-	< 100 employees
	Medium enterprises	-	100 –199 employees
Services	: Small enterprises	-	< 20 employees
	Medium enterprises	-	20 – 199 employees

Development programmes and strategies

In 1997, small businesses in Australia comprised 96.8% of private sector non-agricultural enterprises and 85% of total private and public sector enterprises. During the same period, 50.2% of the total workforce were employed in small business. From the 1995 Business Longitudinal Study, it was found that 3.8% of the SMEs in Australia export their products.

Export assistance to SMEs is provided through two main programmes:

- The *Export Market Development Grant Scheme*, which provides reimbursement for some marketing expenses over AUD\$30,000.
- The *Export Access Scheme*, which provides advice and information to small businesses wishing to begin their export.

Access to Finance

The Australian Government's primary role is in the prudential regulation of the financial system to ensure that it operates efficiently and effectively. The Government recently announced a series of reforms to make the financial sector more flexible and efficient, and increase the level of competition in the sector. Through monetary policy, the Government aims at ensuring that bank interest rates are kept low, thereby reducing the cost of debt finance for most small businesses.

Two programmes have been designed to address imperfections in the equity finance market:

- The *Innovation Investment Fund*, through which the Government funds venture capital companies to invest equity in innovative, high technology small businesses; and
- The *Pooled Development Fund*, under which investors in small businesses may gain concessional tax treatment.

In addition, the Government also provides seed funding to three alternative equity markets to assist in the development of their services for small firms.

Research and Development

The Government offers two main types of support for research and development (R & D):

- a 125% R & D tax concession; and
- grants or loans through the R & D *START* Scheme

Small business may also gain funding through membership of a Cooperation Research Centre (CRC). There are 64 CRCs, all funded by a mixture of Government and private sector funds. The Government also allocated funding to the Technology Support Centres Programme that funds the establishment of technology centres. SMEs are able to gain access to these centres.

BRUNEI DARUSSALAM

Definition

SMEs are defined as :

**Manufacturing, trading
and wholesale, services : < 100 employees
and others**

Development Programmes and Strategies

In Brunei Darulssalam, SMEs constitute 98% of all business establishments, and contributed 92% to total employment. About 39% of the SMEs are in manufacturing and construction, 32% in the services sector, including 23.5% in trading and wholesale activities, while the rest are in primary production activities.

Most the SMEs in Brunei are confronted with the following problems:-

- Finance**
- Skills**
- Marketing**
- Information**
- Technology**

SMEs has been identified as the major player in the Industrial Development in Brunei Darusallam and have the potential in contributing toward the diversification of the economy. Thus the development of small and medium enterprises will be enhanced through the provision of financial and infrastructure assistance, entrepreneurship training, industrial incentive, technology improvement and other services and facilities to develop the

capability of entrepreneurs to be competitive in the domestic and international market in identified preferred industries.

Recognising the significant role of SMEs, the primary role of the Government is to create a good business environment to strengthen the competitiveness of SMEs by providing:

- Administrative Support - Programs and activities of the government agencies and private sector that responsible for SMEs are coordinated by the Resource Center. Four divisions under the Resource Center that addresses the needs of SMEs are Entrepreneur Development Division, Technology Transfer Division, Management Information System Division and Incubator Division. In addition, one stop agency under the Brunei Industrial Development Authority provides administrative support in the implementation of the industrial development program and trade requirement.**
- Investment and Trading Opportunities - An investment / trading arm of the Government has been created with the objective of accelerating strategic industrial development in Brunei Darussalam through foreign direct investment.**
- Technical Assistance- Assistance given are in the form of training services, incubation program, technical and business advisory services and infrastructure assistance.**
- Financial Assistance - Industrial Development Fund is given to SMEs to support their financial need which comprises Enterprise Establishment Scheme, Enterprise Development Scheme and Regional Cooperation Project Scheme.**
- Incentives - To promote the development and expansion of SME activities, tax incentives and investment incentive are given to SMEs including tax exemption for imported raw materials and machinery, industries related to food security for local and export market and industries based on local resources.**

CANADA

Definition

SMEs are defined as:

Manufacturing	: Small enterprises	-	< 100 employees < CDN\$5 m sales
	Medium enterprises-		100-500 employees CDN\$5 m-CDN\$20 m sales
Services	: Small enterprises	-	< 50 employees < CDN\$5 m sales
	Medium enterprises	-	50-500 employees CDN\$5 m-CDN\$20 m sales

Development programmes and strategies

In 1996, there are about 2.2 million small businesses in Canada, whereby more than 98% of all Canadian business fall under the category of small business. 94% of firms have fewer than 20 employees and 75% fewer than 5 employees. Less than 10% of the SMEs in Canada are exporting their products.

The Canadian Government has made small business development a priority. The Canadian business community has identified four priority issues : tax burden government red tape, access to financing and the impact of technology on small business.

The Government has a four pronged approach to address these concerns:

- (i) ***Getting the business environment right:*** a Technical Committee on Business Taxation has examined how to improve the tax system. The largest Federal Government tax program to support SMEs is the Small Business Corporate Income tax deduction which reduces the effective federal rate of taxation on the first \$200,000 of small business income from 28% to 12%.
- (ii) ***Financing:*** through the Small Business Loans Act the Federal Government provides 85% loan guarantees to the banks for approved loans of up to CDN\$250,000 for fixed-asset financing undertaken by small firms; development of equity financing.
- (iii) ***Exploring new opportunities:*** by providing the SMEs information on trade, technology, research and training on developing business and entrepreneurship;
- (iv) ***Supporting innovation trade development and use of electronic commerce among SMEs and in the delivery of SME services.***

CHILE

Definition

SMEs are defined as:

Micro	-	Annual sales - < US\$74,550
Small	-	Annual sales - US\$74,550 - US\$776,566
Medium	-	Annual sales - US\$776,598 - US\$1.5 million

Development programmes and strategies

In 1993, out of a total about 483,479 enterprises in Chile, 15.7% were SMEs (14.4% small and 1.3% medium) while micro enterprises formed the bulk of enterprises (82.8%). A total of 1.7 million workers or 36.5% were employed by SMEs and in terms of sales, SMEs contributed over USD 20.0 billions or 19.3% of the national sales.

The current SME support programmes are incorporated in the Industrial Development Programme, administrated and coordinated by the Chilean Economic Development Agency (CORFO). In the new orientation, the SMEs are considered as a source of competitiveness, particularly when relating to external markets or to large dynamic enterprises.

Factors that limit the development of SMEs in Chile are:

- uneven access to financial resources,**
- lack of relevant commercial information**

- **low of technological and management know-how needed for its modernisation**
- **lack of training.**

Consequently, the objectives of the programmes established to support the SMEs are:

- **to enhance the productive modernisation of SMEs**
- **to improve competitiveness**
- **to allow an autonomous performance in competitive and globalised markets**

Assistance programmes to facilitate and promote the development of SMEs relate to:

- **financing,**
- **technical assistance,**
- **technology transfer and innovation,**
- **training,**
- **export promotion.**

THE PEOPLE'S REPUBLIC OF CHINA

Definition

SMEs are defined as:

In general:

Small enterprises - 50 - 100 employees

Medium enterprises - 101 – 500 employees

Development programmes and strategies

SMEs in China account for more than 99 per cent of all the enterprises in the country. As a result of the economic reforms and market opening measures, SMEs have enjoyed remarkable development and have grown to become an important force in contributing towards sustained and rapid economic growth of the economy.

By the end of 1995, the number of registered manufacturing enterprises reached 4.98 million (of which 2.91 million were self-employed enterprises, and 167,000 were foreign-investment enterprises) contributing to 9.2 trillion Yuan of industrial output.

Currently, SMEs in China are confronted with the following problems:

- **uneconomic-scale operation and widely dispersed**
- **outdated equipment and low level technology**
- **lack of skilled workforce**

- **low level of operation and management expertise**
- **lack of access to international market**
- **imperfect legislations**
- **ineffective incentive policies**
- **lack of financing**

The Government has introduced the following measures to promote the growth of individual and private-owned enterprises to:

- a) operate almost all types of industries and commerce, except for a new kinds of industrial products and raw materials.**
- b) undertake business abroad**
- c) cooperate with foreign partners.**

In addition , the Government has set up various agencies to promote SME development, namely:

- **China Centre for Business Cooperation and Coordination (CCBCC)**
- **China International Cooperation Association of Small and Medium Enterprises (CICASME)**
- **Department of Township Enterprises under the Ministry of Agriculture and “Spark Plan” Office under the State Commission of Science and Technology responsible for the promotion of the development of township enterprises.**

CHINESE TAIPEI

Definition

SMEs are defined as:

- | | |
|---|--|
| • Mining, quarrying, manufacturing and construction industries | - < 200 employees |
| | - < NT\$60 million of invested capital |
| • Service industries and others | - < 50 employees |
| | - < NT\$80 million of sales volume |

Development programmes and strategies

In 1997, SMEs constituted 97.81% of the total industry establishments in Chinese Taipei, contributing 78.44% to the total workforce and 32.11% of the total sales volume.

Common characteristics of SMEs in Chinese Taipei are:

- **high degree of orientation towards exports**
- **high degree of adaptability**
- **strong team work spirit**
- **ability to effectively and rapidly reduce risks**

The development of SMEs in Chinese Taipei, is guided and supported by the following policies, programmes and institutional structure:

- **The Development Funds for SMEs which provide guarantees and project financing for potential SMEs.**
- **The establishment of SME Policy Deliberation Committee whose function is to integrate various guidance systems and service networks for SMEs.**
- **The establishment of 10 guidance systems which incorporate:**
 - **finance and credit system**
 - **management guidance system**
 - **production technology**
 - **research and development**
 - **information management system, industrial safety guidance, pollution control system, marketing guidance, mutual support guidance and quality enhancement guidance system.**
- **The establishment of Service Network Centres throughout the island to offer guidance and service for SMEs.**

HONG KONG, CHINA

Definition

SMEs are defined as :

Manufacturing industries	:	< 100 employees
Non manufacturing	:	< 50 employees

Development Programmes and Strategies

Hong Kong has enjoyed more than thirty years of economic growth and is currently the eight largest trading economy in the world. Over 98% of the enterprises in Hong Kong's manufacturing and services sectors are SMEs, which employ over 60% of the total workforce in Hong Kong. The bulk of the SMEs in Hong Kong is involved in the import-export trade, accounting 36% of all SMEs.

Many SMEs in Hong Kong are closely linked with the bigger establishments through an efficient and flexible sub-contracting network. Such an arrangement enables Hong Kong's manufacturing sector to respond swiftly to changes in demand.

The policy of Hong Kong, China is to maintain a business-friendly and level-playing environment for all enterprises under the broad policy of providing maximum support with minimum intervention. The Government of the Hong Kong Special Administrative Region recognizes that the needs of SMES are different from the larger enterprises and thus provides various support measures through cooperation with public-funded support bodies and industrial and trade organisations. Examples include the SME Centre of the Hong

Kong Productivity Council, the SME Service Stations and SME Training of the Hong Kong Trade Development Council.

INDONESIA

Definition

SMEs are defined as:

Total Asset	:	Small enterprises	-	<USD20,000	excluding
					land and building
		Medium enterprises	-	between USD 20,000 to	
				USD 1,000,000	
Annual sales value:		Small enterprises	-	< USD 100,000	
		Medium enterprises	-	between USD 100,000 to	
				USD 5,000,000	

Development programmes and strategies

In 1996, small enterprises accounted for 98% of total enterprises in Indonesia and contributed 38.9% to total GDP, 88.3% of total workforce, of the industry and 19.14% of total export.

SME policies are formulated with the following objectives:

- to increase the participation of SMEs through the development and strengthening of institutional setting and involvement of SMEs' in all aspects of the economy.**
- To increase capability of SMEs in handicrafts, agro-industries, agro-business, trade, housing, finance, mining and energy, tourism and health.**

The Agency for Development of Small Industry (ADSI) emphasises on several programmes which aim at promoting the growth of small scale industry, namely:

- **business initiation development,**
- **human resources development,**
- **technology development,**
- **interlinkage programme**
- **facility improvement programme.**

INDONESIA

Definition

SMEs are defined as:

Total Asset	:	Small enterprises	-	<USD20,000	excluding
					land and building
		Medium enterprises	-	between USD 20,000 to	
				USD 1,000,000	
Annual sales value:		Small enterprises	-	< USD 100,000	
		Medium enterprises	-	between USD 100,000 to	
				USD 5,000,000	

Development programmes and strategies

In 1996, small enterprises accounted for 98% of total enterprises in Indonesia and contributed 88.3% of total workforce of the industry. Small enterprises represent about 19.14% of total export while its share to GDP is estimated at 38.9% of the total GDP.

SME policies are formulated with the objective to increase:

- (a) the initiative and participation of SMEs in order to develop and strengthen institutional setting and effort to materialize SMEs' role in the economy**
- (b) the capability of SMEs in the areas of small scale industries and handicrafts, agro-industries, agro-business, trade, housing, finance, mining and energy, tourism and health.**

The Agency for Development of Small Industry (ADSI) emphasizes on several programmes which aim at promoting the growth of small industry, namely business initiation development, human resources development, technology development, interlinkage programme and facility improvement programme.

JAPAN

Definition

In accordance to the Small and Medium Enterprise Basic Law, SMEs are defined as:

A. Small and Medium Enterprises

**Mining, manufacturing, transportation
and construction industries :**

**Employees - < 300 or
Invested capital - < 100 million yen**

Wholesalers :

**Employees - < 100 or
Invested capital - < 30 million yen**

Retailers, services :

**Employees - < 50 or
Invested capital - < 10 million yen**

B. Small Scale Enterprises

Manufacturing and other Industries:

Employees - < 20

Commerce and Services:

Employees - < 5

Development Programmes and Strategies

SMEs assume a very important role in the Japanese economy, comprising 98.8% of total establishments in Japan and contributing 77.6% to total employment in 1996. In terms of market share, SMEs contributed 51.0% of total shipment value of the manufacturing sector in 1996, 61.4% and 76.8% of total turnover and wholesales and retail sales in 1994. These percentages have not changed very much in the past thirty years with the enforcement of the Small and Medium Enterprise Basic Law.

Japanese SMEs continue to perform well, demonstrating their unique flexibility and creativity, even at a time of recession experienced by the Japanese economy. The Law has the following objectives:

- promoting the growth and development of SMEs, and**
- enhancing the economic and social well-being of entrepreneurs and employees of SMEs**

To undertake the above-mentioned objectives, the following areas are given emphasis and implemented by the Small & Medium Enterprise Agency (SMEA) :

- modernisation of equipment**
- improvement of technology**
- rationalisation of management**
- structural upgrading of SMEs**
- preventing excessive competition and making proper subcontracting**
- stimulating demand**
- ensuring fair opportunities for business activities**

- **promoting an appropriate relationship between labour and management, betterment of welfare of employees and securing manpower**

MALAYSIA

Definition

Manufacturing sector

Full time employees - not exceeding 150 employees

Annual sales turnover - not exceeding RM 25 million

Development Strategies and Programmes

The small and medium industries (SMIs) constitute approximately 84% of the manufacturing establishments in Malaysia. In 1997, their contribution to the manufacturing sector was 17.47% of total output, 19.13% of value added and 12.27% of total employment. The majority of the SMIs are concentrated mainly in the food and beverages (20%), fabricated metal products (18%), wood and wood products (17%), and basic metal (4%). Presently, only 20% of the total SMIs in the country have made inroad into the export market.

SMIs assume a significant role in the country's industrialisation programme. As suppliers and service providers to leading industries, SMIs contribute towards the deepening and broadening of the industrial base through forward and backward industrial linkages. The Second Industrial Master Plan (IMP2), which charts the strategic directions and strategies for industrial development for the next 10 years, set in place policies and programmes to further develop and integrate the domestic SMIs as the critical and strategic link in the development and strengthening of industry cluster formation, and increase domestic value-added.

With the globalisation of trade and investment, as well as dynamic technological changes taking place, SMIs need to gear themselves to

face stiffer competition in the future. Enhancing global competitiveness of the country's SMIs, thus, becomes an essential development strategy underpinning most of the support programmes.

These programmes are targeted, at the following:

- promoting and increasing production efficiency,
- enhancing quality and productivity through automation and modernisation of plants and machinery,
- at developing/acquiring new skills and management.
- encouraging SMIs to undertake R&D, product development, engineering and designing activities,
- creating a more a conducive business environment for SMIs.

In addition, the support programmes are also directed at addressing impediments that inhibit SMIs development. These are pertaining to:

- access to financing, through soft loans and financial assistance schemes,
- access to markets through industrial linkage programmes or sub contracting arrangements.
- Access to information through dissemination of information on incentive and SMI development programme and advisory services.
- provision of fiscal infrastructure such as special industrial sites.

The Small and Medium Industries Development Corporation (SMIDEC), an agency created to promote and coordinate the development of SMIs, has formulated and implemented SMI support programmes in each of the above priority areas, in tandem with the development strategies.

MEXICO

Definition

SMEs are defined as:

Micro	-	1-15 employees
Small	-	16-100 employees
Medium	-	101-250 employees

Development programmes and strategies

In 1994, SMEs in Mexico comprised 98.7% of all business establishments, representing 77.7% of total employment and 43.3% of total sales. The participation of SMEs in total direct export is estimated to be less than 20%.

SMEs in Mexico are faced with the following difficulties:

- access to credit and high interest rate**
- lack of skills and management expertise**
- high cost of access to information on market opportunities and technologies**
- lack of marketing skills especially for entering export market**
- uneconomic scale of operation**
- insufficient incentives**
- lack of knowledge about the procedures for entering foreign markets**

Agencies involved in SMEs development are:

- **National Council for the Micro, Small and Medium Enterprises is responsible for formulating policies, actions and instruments to assist SMEs and to promote their competitiveness**
- **Ministry of Finance and Public Credit grants the taxpayer a tax deduction for the contributions paid to the R&D funds**
- **Mexican Council for Productivity and Competitiveness is responsible for enhancing productivity and competitiveness through industrial workers training programme**
- **The Mexican Government has implemented the COMPITE Programme in order to increase SMEs' competitiveness and efficiency. Under this programme, managerial and technical expertise is provided to SMEs at their own facilities**

The following organisations were created with the aim of promoting research and technology development:

- **Mexican Institute for Industrial Property**
- **Technology Transfer Unit**
- **Mexican Foundation for Innovation and Technology Transfer**
- **National Institute for Forestry and Agricultural Research**

The Decree to Promote the Organization of Integrated Enterprises was modified with the aim of promoting SMEs specialization in different stages of production processes. In addition, under the Secretaria de Comercio y Fomento Industrial, had introduced the subcontracting network in collaboration with the Development Bank in order to facilitate the linkages between SMEs and large enterprises through the supply of parts and components.

NEW ZEALAND

Definition

SMEs are defined as:

Small and medium enterprises - < 50 employees

Development programmes and strategies

In 1997, SMEs constituted about 98.87% of the total establishments and contributed 52.90% to the total employment in the country.

Common problems faced by SMEs in New Zealand include gaps in management capability, difficulty in accessing to appropriate information and new technology/innovation, high costs in conforming to regulations, and reluctance to develop business linkages. The policy framework was developed to maximize growth of the overall industries through the production of goods and services by providing an open environment that rewards enterprise and innovation, while maintaining competitive pressure on business to perform.

Among agencies responsible for SME development are:

- Ministry of Commerce: responsible for monitoring SME issues and providing policy advice on SME development**
- New Zealand Trade Development Board: responsible in assisting SME to take advantage of overseas opportunities**
- Foundation for Research, Science and Technology: provides a range of initiative to enhance the technological capability of firms.**

PERU

Definition

Small businesses - average annual sales < USD17million (for the last three years)
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Development programmes and strategies

No information available on SME development

Economy

Peru has a dual economy, a relatively modern sector on the coastal plains and a subsistence sector in the mountains. Services account for 45% of GDP, industry (including mining) 33% and agriculture 13%. Mining contribute almost half of Peru's export earnings. The industry is fairly diversified, with food, fishmeal, metals, steel, textiles and petroleum refining forming the largest industry sub-sectors. The food industry comprises export product processors and those processing imported goods such as flour and milk products. Peru has some competitive advantages in the textile sector due to the large supply of both high-grade wool and skilled labour.

Since liberalisation in 1991, the Peruvian economy has been in a period of transition. The economic recovery was investment-led, with the principal stimulus coming from inflow of foreign investments and implementation of privatisation programmes. At the end of 1997, almost all privatisation projects in telecommunications, banking, tourism and light industry, transport and cement were completed, except for the state mining and refining company, two Petroperu refineries and the electricity generating units of Electroperu.

The Government is now undertaking additional measures to restructure the industrial sector, aimed at improving its prospects. Among the measures taken are:

- (a) Measures to reduce inflation rate**
- (b) Elimination of monopolistic control of different economic sectors through privatisation programmes**

THE REPUBLIC OF PHILIPPINES

Definition

SMEs are defined as:

Asset size :

Small enterprises - between P1,500,000 to P15,000,000

Medium enterprises - between P15,000,000 to P60,000,000

Employment :

Small enterprises - 10 to 99

Medium enterprises - 100 to 199

Development programmes and strategies

In 1996, small enterprises comprised about 99.48% of total enterprises and contributed 66.21% to total workforce in the country. SMEs' sales accounted for 30.82% of total sales and 32.2% of value added of the country.

The Magna Carta for Small Enterprises (Republic Act 6977) requires the mandatory allocation of credit resource or a portion of the total loan portfolio of all lending institutions to small enterprise credit.

Main organizations responsible for SMEs are:

- The Bureau of Small and Medium Business Development which initiates and implements programmes and projects addressing**

the specific needs of SMEs in areas concerning entrepreneurship and institutional development, productivity improvement, organization, financing and marketing. The Bureau is also tasked to formulate policies and strategies geared toward the advancement of SMEs.

- The Regional Operations Group which is the frontline service provider in the areas of investment and export promotion through the provision of direct firm and industry level advisory services in business management, productivity, finance, marketing and organization.**
- Small and Medium Enterprise Development Council which oversees the creation and promotion of an environment conducive to the development of SMEs through the establishment of adequate support mechanisms.**
- Small Business Guarantee and Finance Corporation, whose roles are to develop and promote various types of financing for small enterprises, including loan guarantee for qualified small enterprises.**

PAPUA NEW GUINEA

Definition

SMEs are defined as:

Manufacturing and services industry:

Very small enterprises	-	5 – 10 employees
Small scale enterprises	-	11 - 20 employees
Medium scale enterprises	-	21 - 200 employees

Development programmes and strategies

Small and Medium Enterprises provide the engine for economic growth and development of the Papua New Guinea economy.

The contribute substantially to the economy through employment and income-earning opportunities for Papua New Guineans, ensure technology transfer, import substitution, generate Government revenues through taxes to ensure fiscal self-reliance, and reduce social and economic inequalities through equitable distribution of national resources.

The National Government's aspirations and plans, policies and programmes, in view of the economic importance of SMEs, are targeted towards strengthening and enhancing the development of a sound, vibrant and self-sustaining export-driven private sector comprising small and medium enterprises.

Difficulties Encountered by SMEs:

- **Absence of a comprehensive policy framework on Small and Medium Enterprises development;**
- **Use of different definitions by Agencies to categorise Small and Medium Enterprises at the operational levels;**
- **Difficulty in price competitiveness.**
- **Lack of business management training and entrepreneurial skills.**
- **Lack of credit facilities for business operation and investments.**
- **Discriminatory government Policies.**
- **Low productivity due to poor knowledge.**
- **Lack of marketing strategy and information at domestic and overseas.**
- **Import barriers-import duty on inputs.**
- **Lack of information on technology prospects, requirements and changes.**
- **Lack of export finance facilities.**
- **Difficulty in gaining alliance with foreign networks.**

THE REPUBLIC OF KOREA *Definition*

**_SMEs are defined as: Manufacturing : < 300 employees
Won 20 billion - 80 billion of invested
capital (assets)**

**Mining, transportation : < 300 employees Construction :
< 200 employees Commerce & other
service business : < 20 employees**

Development programmes and strategies There are about 2.4 million SMEs in the Republic of Korea. Of that total, 87,000 are manufacturing enterprises with more than 5 but fewer than 300 employees. 99% of all manufacturing firms in the Republic of Korea are SMEs, contributing to about 50% total value-added of the economy, 69% of total workforce and accounting for 43% annually of all exports.

The Korean Government perceives SMEs as a vital part of the New Economy. Stronger SMEs that continue to develop through competition and cooperation is essential to vitalize the Korean economy and enhance its industrial structure. Thus, fostering many self-reliant SMEs is the major objective of the SME policy under the New Economy. The Korean Government emphasises on the following areas:

- **Enhancement of Competitiveness in Technology and Product Quality**
- **Development of Human Resources**
- **Expansion of SME's Access to Domestic Markets Expansion of Financial Access for SMEs**
- **Market Access**

RUSSIA

Definition

SMEs are defined as:

Small : 1 – 249 employees

Medium : 250 – 999 employees

Development programs and strategies

SMEs formed 85.6%¹ of the total establishments, in 1993 of which 52.7% were small enterprises and 32.9% were medium enterprises. SMEs represented 33.5% of the total employment in Russia which 8.5% were employed by small enterprises and 25.0% by medium enterprises.

Conventionally, market structure is highly monopolised and enterprises in Russia are extremely large scale. This is indicated by the existence of large and extra large enterprises, that employ between 1,000 – 9,999 workers and more than 10,000 workers respectively. However, large scale enterprises represented not more than 25% of total sales and employment. These facts have two important implications. Firstly, small enterprises are potential sources of technical innovation, renewed competition and employment creation. Secondly, the growth of small enterprises is an important factor accounting for the gap between measured GDP and real income movements in Russia. Therefore, enhancing dynamic of small and medium enterprises would contribute¹ towards the economic growth of the country.

SINGAPORE

Definition

SMEs are defined as:

Manufacturing sector : Fixed assets - < S\$15 million

**Services sector : Employees - < 200
Fixed assets - < S\$15 million**

¹Not including Military Industrial Complex (MIC)

Development Programme and Strategies

SMEs constitute 91.5% of all business establishments in 1995, contributing 34.7% of net value-added and 51.8% of the workforce.

The Government has a multi-agency network which comprises various ministries, statutory boards and institutions work on various means of communication to deliver information to SMEs. One of the means is the Singapore Enterprise, a SME Newsletter jointly produced by eight government agencies. The Singapore Enterprise reaches out to SMEs to communicate to them information pertaining to business development and upgrading. Another means is an Internet link, SME Homepage, which is spearheaded by the Singapore Productivity and Standards Board. The Homepage brings to the SMEs what are the assistance and services available for them to upgrade and grow. In addition, agencies within the network also organise regular seminars and forums to create the awareness of assistance programmes available for SMEs. Advertisements on business loans available are also published in the newspapers to encourage SMEs to take up financing schemes offered by the 31 financial institutions and the Government.

Government agencies involved in SME development work include:

- Singapore Productivity and Standards Board (PSB) (For more information on PSB, please visit our website, address: <http://www.psb.gov.sg>)**
- National Computer Board (NCB),**
- Trade Development Board (TDB)**
- Singapore Tourism Board (STB).**

THAILAND

Definition

SMEs are defined as:

Manufacturing :

Small enterprises

- < 50 employees
- < 20 million baht of investment capital
- (not including fixed assets)
-

Medium enterprises:

- 50 – 200 employees

Medium enterprises

- 5 - 200 employees

- 20 - 100 million Baht of fixed assets
- 20 – 100 million Baht of invested capital
(not including fixed assets)

Development programmes and strategies

SMEs in Thailand constitute about 95.8% in 1997 of the total number of industrial entities. In terms of employment, the labour force in 1996 in the industrial sector was 7.33 million, of which 1.33 million were employed by SMEs.

The Government of Thailand has identified three main objectives to further stimulate the development of SMEs:

- (i) reinforcing SMEs' competitiveness, particularly in terms of production efficiency and products quality through the concerted cooperation of the related government agencies, namely, Ministry of Finance, Ministry of Industry and Board of Investment. These agencies have put SMEs development as top priority. The Promotion programmes and its implementation is to be strengthened in order to achieve their policy objectives especially in the areas of manufacturing techniques, management, financing, and marketing.**
- (ii) Promoting rural industrialisation of SMEs through:**
 - rural industrialisation promotion project;**
 - close cooperation with the related agencies in identifying prospective locations the appropriate sector industries;**
 - providing incentives to promote investment and infrastructure development, and technical and financial supports;**

- **promotion of SMIs incubation program in the regions;**
- **promotion of subcontracting businesses from larger businesses in the central region to SMIs in the rural areas.**

THE UNITED STATES OF AMERICA

Definition

SMEs are defined as:

Manufacturing : < 500 employees

Non-manufacturing : < USD 5 million of sales

Development programmes and strategies

SMEs constitute 96% of the total establishments and represented 69% of the total employment in the US. In 1994, SMEs accounted for about half of the GDP and generated half of the national total sales. However, SMEs contributed only one-third of merchandise exports.

Problems encountered by SMEs are:

- **lack of export financing,**
- **limited R&D investment,**
- **increase raw material prices; and**
- **lack of knowledge of foreign market.**

Main agency responsible for SMEs is the Small Business Administration (SBA), which works closely with other agencies such as Export-Import Bank (Exim Bank) and the Commerce Department as well as Trade and Development Agency (TDA). Various programmes being implemented to assist SMEs are technical assistance, financing, training and market information.

In order to improve small businesses' knowledge of and access to federal trade finance programmes, SBA, Exim Bank and TDA have introduced telephone hotlines, counseling services, seminars, training programmes and other outreach efforts.

SBA programmes to promote export are:

- **U.S. Export Assistance Centers - 'One-stop shops' which provide information and knowledge on export marketing, trade finance, counseling, and technical assistance.**
- **Export Working Capital Programme - Provides pre-export financing, financing of receivables and standby letters of credit used as performance bonds or payment guarantees to foreign buyers. Size of loan is up to \$750,000 or 85% of the loan applied, whichever is less. Larger amount of loans will be handled by Exim Bank.**

- **International Trade Loan Guarantee Programme - Provides assistance to businesses that are either involved in exporting and trying to expand their activity or adversely impacted by import competition.**
- **Training Programmes – Training programmes are offered through SBA’s network of district offices and small business development centres. District offices also work with retired senior executives on one-on-one counseling to counsel exporters, sponsor trade events and help build export assistance partnership.**

VIET NAM

Definition

SMEs are defined as:

Manufacturing and Non manufacturing	: Small enterprises	-	< 30 employees
		-	< D1 billion capital
	Medium enterprises	-	30-200 employees
		-	D1 million- D4 billion capital

Development programmes and strategies

The economic policy reforms undertaken by the Government has resulted in the rapid growth of privately owned small medium enterprises. The increase in the number of SMEs and the change in their ownership composition are a response to the introduction of a market mechanism by the Government. Today, they contribute 65% of the country's GDP and employ approximately 85% of the total workforce.

In the development process, SMEs in Viet nam face the following obstacles:

- serious shortage of capital**
- lack of markets**
- lack of raw materials**
- lack of advance technology, machinery and equipment**
- lack of management and technical skills**
- lack of information on market and business opportunities**

To promote the development of business including SMEs, the Government has implemented laws such as the Private Enterprises Law (1990), the Company Law (1990), the Law on Encouragement of Domestic Investment (1994), State-owned Enterprises Law (1995) and the Law on Cooperation.