

## **Report on South Korea Mission**

**December 3, 2010**

### **GRIPS Development Forum**

An international team visited Seoul during November 22-26, 2010 to study South Korea's experiences in industrial development and draw lessons for other developing countries including Ethiopia and Vietnam<sup>1</sup>. The mission members were Prof. Kenichi Ohno, Prof. Izumi Ohno (GRIPS Development Forum); Mr. Berihu Assefa Gebrehiwot (GRIPS and Ethiopia Development Research Institute); Ms. Nguyen Thi Xuan Thuy (Vietnam Development Forum); and Ms. Truong Thi Chi Binh (Ministry of Industry and Trade, Vietnam).

Specifically, the mission studied: (i) Korea's economic and industrial policy making processes in the past and at present; (ii) industrial policy tools and approaches, especially for promoting small and medium enterprises (SMEs); and (iii) Korea's ODA policy with a focus on its recent initiative for compiling Korean development experiences and sharing knowledge with developing countries. We had meetings with the government ministries and agencies as well as research institutes and universities (see attachments 1-3 for the mission details, organizations/persons visited, and information collected). We would like to express our deep appreciation to all organizations and individuals who kindly received us and shared valuable information with us.

Below are main findings of the mission.

#### **1. The policy making process in South Korea**

##### **1-1. Five-Year Economic Development Plans (from the 1960s to the early 90s)**

Starting from the First Five-Year Economic Development Plan in 1962, the Korean government formulated seven Five-Year Economic Development Plans between the 1960s and 90s (until 1996, just before the Asian Financial Crisis or the so-called "IMF" Crisis of 1997-98). These Plans made critical contributions to the realization of rapid growth through building a national consensus on the necessity of economic development effort and setting its major directions.

The Economic Planning Board (EPB)<sup>2</sup>, created in 1961, was a super-ministry equipped with

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<sup>1</sup> This mission has been commissioned by JICA to compile information on industrial policies in selected East Asian countries for the policy learning of other developing countries. We visited Singapore in August/September 2010 and plan to visit Taiwan in early 2011.

<sup>2</sup> In 1994, EPB and the Ministry of Finance were merged into the Ministry of Finance and Economy, which was later separated into the Ministry of Planning and Budget and the Ministry of Finance in 1999. In 2008, the Ministry of Strategy and Finance was formed by combining both functions.

strategic functions such as development planning, national budget management, and management of aid, foreign capital (borrowing), and technology. Headed by Deputy Prime Minister who chaired the Economic Ministers' Council and directly reported to the President, EPB had authority above other ministries and agencies. Policy research institutes, especially the Korea Development Institute (KDI), established in 1971, supported EPB's development planning. Within EPB, the Bureau of Planning was charged with drafting policies in collaboration with KDI, which provided assessment of international environment and domestic capabilities, resource availability, growth and other macroeconomic scenarios. Sectoral plans were prepared by relevant ministries and included in the Five-Year Economic Development Plan. Preparation of each Five-Year Economic Development Plan took two to three years.

Notable features of Korea's development planning were sharp strategic focus based on the selectivity and concentration principle, as well as adaptive implementation accompanied by annual action planning and performance monitoring. Being a resource-poor country, Korea in the 1960s and 70s focused on three priorities: (i) export promotion to ameliorate chronic trade deficits; (ii) industrialization by mobilizing human resources; and (iii) wise use of foreign capital and technology. Five-Year Economic Development Plans set targets for economic growth and mobilized national resources and capabilities toward achieving them. In implementation, action plans were formulated and then constantly adjusted in response to shifting domestic and foreign environments. Korea thus had a mechanism for flexible and adaptive implementation of the Plan rather than rigidly following pre-defined targets and policy tools.

In addition to annual action plans, there were two important monitoring devices: the Monthly Council for Export Promotion and the Monthly Council for Monitoring Economic Trend, both of which were chaired by President Park Chung-hee and attended by key government officials, business leaders, and representatives of financial institutions. The Ministry of Commerce and Industry provided secretariat functions for the former council which carried out measures to eliminate impediments to export growth in specific sectors while EPB provided similar functions for the latter council which analyzed and monitored macroeconomic performance indicators such as growth, export, and investments.

The role of the Korean government in development planning changed over time. In the 1970s, which was the period of Heavy and Chemical Industry (HCI) drive, the government intervened directly in the market for the execution of the Plan although the degree of official involvement varied among industries<sup>3</sup>. From the 1980s onward, as private businesses grew and economic liberalization proceeded, the government began to play a less direct role.

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<sup>3</sup> The promotional law targeted six strategic industries including industrial machinery, shipbuilding, electronics, automobiles, steel, and petrochemicals. Among these, the government took full responsibility for initial investment in the steel industry. Meanwhile, the private sector took the initiative to develop other industries such as electronics, automobiles, and shipbuilding, with the government playing a facilitating role by, for example, assisting with finance and technology acquisition.

Korea's development planning ended with the seventh Five-Year Economic Development Plan in 1996.

## **1-2. Presidential Committees (at present)**

In present Korea, Presidential Committees serve as a key instrument for economic policy making. Under the presidential system, every President establishes a small number of Presidential Committees (up to 4 or 5) to concretize, implement, and monitor the priority agenda during his five-year term. Each Presidential Committee is headed by a person who has expertise in the chosen subject and enjoys strong confidence of the President as well as secretarial support by staff seconded from various ministries.

President Lee Myung-bak, who assumed office in February 2008, established four Presidential Committees: (i) Future and Vision; (ii) Green Growth; (iii) National Competitiveness; and (iv) Nation Branding. These committees operate only during his presidential term. The most important among them is the Presidential Council for Future and Vision (PCFV), established in May 2008, which is an advisory body to the President for establishing national strategies and setting policy priorities (i.e., national strategies and unity, diplomatic and security issues, the environment, energy and science, industry and economy, and "soft power" leadership). It is chaired by Prof. Seung Jun-kwak, Dean of Korea University, and has 26 members drawn from academia, NGOs, legal experts, and business leaders. Vice Ministers also attend the Council. The Council meets on a need basis without any fixed schedule. PCFV is supported by the Executive Office of the Council, a secretariat of about 30 staff comprised of seconded officials from various government ministries and agencies. The secretariat is charged with drafting of policy documents, inter-ministerial coordination, and related administrative works.

The Presidential Committee on Green Growth (PCGG) was established in February 2009 at the recommendation of the Presidential Council for Future and Vision. PCGG is co-chaired by the Prime Minister and Dr. Kim Hyung-kook, an eminent scholar representing the non-government sector<sup>4</sup>. By November 2009, the Committee met six times which were presided by the President except in one occasion. PCGG adopted the National Strategy for Green Growth as the highest-level government plan on Green Growth, and set policy objectives for 2050 and performance indicators for 2020 in 10 key policy agenda points. It also adopted the Five-Year Green Growth Plan by reviving the past practice of five-year planning cycles. This is because Green Growth<sup>5</sup> (environmental agenda) is an area where

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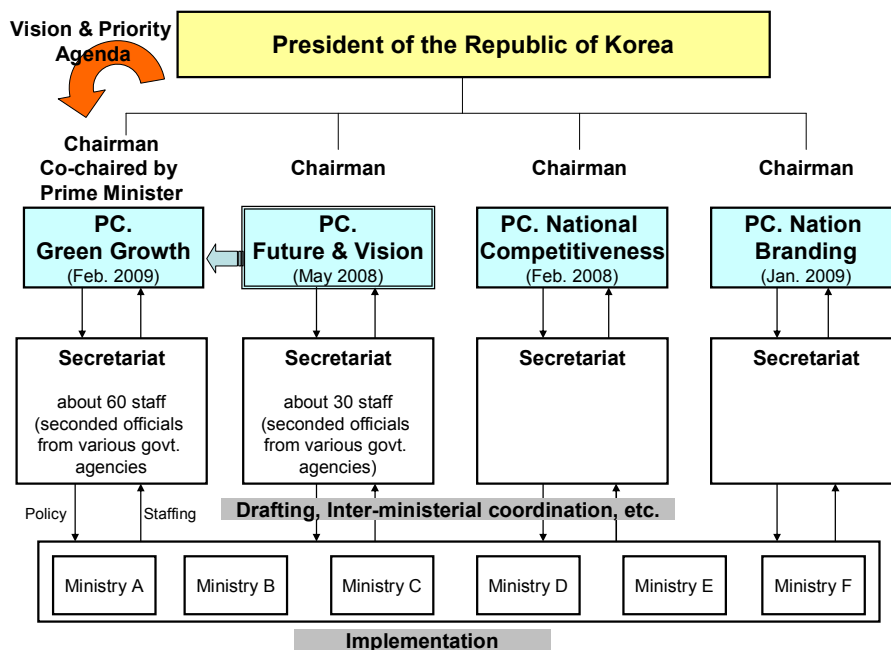
<sup>4</sup> The operation of PCGG is similar to that of PCFV. PCGG consists of 47 members including ministers and representatives from private stakeholders. It is supported by a secretariat of 60 staff comprised of seconded officials from over 14 government agencies and public and private institutions (see Presidential Committee on Green Growth, *Green Growth Korea's Choice: Progress Report 2008-09*, p.10).

<sup>5</sup> The objective of the national vision on "Green Growth" is to tackle the issue of climate change, environmental degradation and the depletion of energy resources. Unlike past approaches, however, green growth puts more emphasis on sustainable growth while reducing greenhouse gas emissions (*Green Growth Korea's Choice: Progress Report 2008-09*).

government must play a proactive role even though the present Korean economy is driven by the private sector. A large number of government ministries and agencies and public research institutions participated in developing the Green Growth strategy and its five-year implementation plan. All central and local government institutions are required to develop their own Green Growth Action Plans which must be approved by PCGG.

One of the ten key policy agenda of the national strategy for Green Growth is ODA-related, namely, “becoming a role-model of green growth for the international community.” To this end, performance indicators are set to increase the proportion of Green ODA from 11% in 2009 to 20% by 2013 and to 30% by 2020. The Korean government has also proposed to the OECD/DAC to introduce new ODA classification to measure and encourage donor support to the sectors related to “Green ODA.”

### Presidential Committees (Lee Myung-bak Administration)



Apart from regular Presidential Committees lasting for the five-year term, the Korean government set up the Presidential Committee for the G20 Summit in November 2009, a special committee for preparing the Seoul G20 Summit which took place in November 11-12, 2010. It was chaired by Dr. Sakong Il, who served in the Office of the President as Special Economic Advisor to the President from March 2008 to February 2009 and then led the G20 Korea Coordinating Committee in the Office of the President, formed earlier in 2009 and the precursor to the current committee<sup>6</sup>. This Presidential Committee was temporary but its activities were intense and received much attention. A separate building was reserved for this Presidential Committee, a large number of officials were mobilized as its secretariat,

<sup>6</sup> Dr. Sakong held a number of key positions in the government, including Minister of Finance (1987-88), Senior Secretary to the President for Economic Affairs (1983-87), and Senior Counselor to the Minister of EPB (1982).

and various consultation meetings and working groups were organized involving academia, NGOs, donor agencies.

## **2. Small and medium enterprise policy (also see attachment 4)**

The mission asked many SME experts and officials about the effectiveness of SME policy in Korea. Their opinions were divided, with some seeing positive developments while at least one expert bluntly put it as a “failure.” The majority seem to agree that the results have been mixed, policy consistency was not maintained, and the performance of Korean SMEs was not as good as their counterparts in Japan or Taiwan. However, there are some bright spots such as the emergence of creative IT companies after the “IMF Crisis” and recent exports of Korean parts and components to Japan assisted by the Korea Trade-Investment Promotion Agency (KOTRA). Korea also provides intellectual aid to UAE, Kazakhstan, and other countries in setting up SME policy and institutions, industrial promotion agencies, and so on.

At end 2007, manufacturing SMEs (employment size from 5 to 299) were 118,506 in number and occupied 99.5% (establishments), 76.9% (employment), 48.7% (production), and 50.6% (value added), respectively, in the total manufacturing sector of Korea.

Korean SME policy has gone through various stages. Its goals have also been varied, combining job and income generation for the poor, protecting and strengthening suppliers of parts and components to large corporations, and creation of innovative and independent venture businesses, even to this date. It is our impression that Korean programs to support SMEs are more numerous and more complex than Japanese.

In the 1960s the basic policy framework was created which included the Korea Federation of Small and Medium Business (1962), KOTRA (1962), the Kookmin Bank (1963), the Basic Law on SMEs (1966), the SME Policy Deliberation Committee (1967), the SME Department of the Ministry of Commerce, and many others. Many of these tools were modeled after Japanese policies and institutions.

In the 1970s and 80s the main policy objective was protecting weak SME suppliers from the exploitation of big chaebols and boosting their competitiveness and productivity. The 1970s was the period of state-led HCI drive, and it was thought that Korea needed SME producers of competitive parts and components to import substitute industrial inputs. Policies to “systematize” SMEs (have stable business contracts with big buyers) and ensure fairness in their relations were introduced. Financial supports were enhanced with credit guarantee (1976), technology credit fund (1989), and so on. Highly interventionist measures were also used to narrow the gap between strong chaebols and weak SMEs. Mandatory loan ratios to SMEs (30-40%, later 35-55%) were imposed on commercial banks and regional banks, and 23 industrial sectors were first prioritized (1979), then exclusively reserved (1982), for SMEs in which no big companies could enter.

After the IMF Crisis of 1997-98, policy weight shifted toward creation of autonomous venture businesses with creativity. As a result, a cluster of IT ventures appeared in Seoul's Kangnam area and SMEs began to engage in export and outward FDI. In the 1990s annual outward FDI averaged only a few thousand in number (registration basis) and \$1-5 billion in disbursed investment but these increased to over ten thousand and \$23 billion by 2008, of which SMEs accounted for \$5.9 billion (before declining in 2009 due to the global financial crisis). Outward FDI includes both suppliers moving outside Korea and independent businesses unrelated to big corporations.

Currently, SME policy is designed at the Small and Medium Business Administration (SMBA, located in Daejeon City) and implemented mainly by the Small and Medium Business Corporation (SBC). SMBA covers all SMEs, small businesses, and micro enterprises. There are different promotion policies and measures for manufacturing SMEs and others. SBC targets manufacturing SMEs only. SBC was established in 1979 and has 23 regional offices, four training institutes, and the Korea Business Development Centers. SBC's supports are divided into financial programs and non-financial programs. The former includes venture business start-up, loan for commercializing R&D results, new growth industry promotion, industrial structural adjustment, management stabilization, Asset-Backed Securities (ABS) issuance, and assistance for small merchants and industrialists. The latter includes consulting, training, marketing assistance, global cooperation, and information services. SBC and KOTRA cooperate to assist SMEs to export or invest abroad in their respective fields (SBC supporting them inside Korea and KOTRA outside).

Notably, in Korea, financial and non-financial support are integrated in one agency (SBC). This policy configuration is different from Japan or Malaysia, where SMEs of all sectors, not just manufacturing, are supported while various promotion measures are implemented by different agencies and organizations.

More than one SME experts remarked that one cause of inconsistency and ineffectiveness of Korea's SME policy was politicization. Politicians and interest groups use SME support programs to rally support and win votes in elections, leading to multiplication and overlapping of similar measures with no strict selection criteria or economic reasoning. Korean SMEs may have good potential but policy has not been able to realize it fully. In this sense, Korean SME policy may have some resemblance to Japan's agricultural policy.

Standard productivity tools (5S, six sigma, etc.) are used in supporting SMEs in Korea. However, terms such as "kaizen" and "shindan" are not known even among the SME experts and officials whom we met. While many Japanese ideas were imported into Korea, these Japanese terms were not used as drivers of productivity movement.

### **3. ODA policy making and institutional framework**

Korean ODA, through both bilateral and multilateral channels, is currently about US\$0.8

billion (2008 data; net disbursement basis), or 0.09% of Gross National Income (GNI). Although this is still small in absolute volume, there is a growing sense of global responsibility among the Koreans. In an effort to increase its global contribution as an emerging donor, the government plans to triple ODA by 2015 and raise the ODA/GNI ratio to 0.25%. President Lee Myung-bak himself declared that Korea through international cooperation would become a guiding light for developing countries in the 21st century. A symbolic example in this regard is an intensive advance effort to mainstream the development agenda in the latest G20 Summit in Korea.

<b>Korea's ODA: 2004-2008</b>						<b>ODA Scale-up Plan</b>	
<b>Classification</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2012</b>	<b>2015</b>
Total ODA	423.3	752.3	455.3	699.1	803.8		
Bilateral Aid	330.8	463.3	376.1	493.5	540.7		
Grants	212.1	318.0	259.0	361.3	370.2		
Loans	118.7	145.3	117.1	132.2	170.6		
Multilateral Aid	92.6	289.0	79.2	205.6	263.1		
ODA/GNI (%)	0.06	0.10	0.05	0.07	0.09	0.15	0.25

(Unit: million USD, net disbursement basis)

Source: Ministry of Foreign Affairs and Trade, "Korea's Development Cooperation."

Similar to (past) Japan, Korea has a dual structure of ODA policy formulation and implementation. Two key ministries charged with ODA are: (i) the Ministry of Strategy and Finance (MOSF), which oversees concessional loans administered by the Economic Development Cooperation Fund (EDCF, located in the Export-Import Bank of Korea) and contributions to international financial institutions such as the World Bank, ADB, AfDB, EBRD; and (ii) the Ministry of Foreign Affairs and Trade (MOFAT), which has authority over grant aid and technical cooperation implemented by the Korea International Cooperation Agency (KOICA) and other government ministries and agencies as well as contributions to the UN and other multilateral agencies. EDCF and KOICA are the main implementing agencies of bilateral aid<sup>7</sup>.

Korea is widely known for its economic "miracle" and its successful transformation from an aid recipient to an emerging donor in a relatively short period. In November 2009, Korea joined the OECD Development Assistance Committee (DAC). On November 11-12, 2010, it organized the G20 Summit in Seoul and will host the OECD's Fourth High-Level Forum for Aid Effectiveness in Busan a year later. The Lee Myung-bak administration regards ODA as a key instrument to raise Korea's soft power and brand-image, and took a strong initiative to

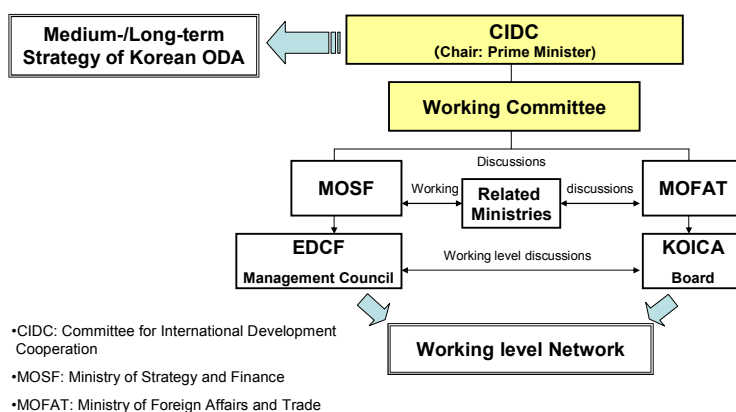
<sup>7</sup> In 1965, Korea began to provide ODA in the spirit of South-South cooperation by inviting trainees from other developing countries. In 1982, it initiated the International Development Exchange Program (IDEP). In 1987, EDCF was established under MOSF to implement concessional loan programs, and in 1991, KOICA was created under the supervision of MOFAT by consolidating diverse technical cooperation and grant aid programs.

incorporate the development agenda in the G20 Summit which led to the “Seoul Development Consensus for Shared Growth” and the “Multi-Year Action Plan on Development”.

Domestically, the Korean government has also started to enhance its institutional framework for providing ODA. This includes the introduction of the International Development Cooperation Basic Law (enacted in January 2010, effective from June 2010) which stipulates the fundamental ideals, objectives, and principles of Korea’s ODA. Prior to this, the Committee on International Development Cooperation (CIDC) was established in 2006 to improve policy coordination<sup>8</sup>. CIDC is the highest-level ODA policy council chaired by the Prime Minister with the participation of about 25 members (6-7 private-sector members, plus ministers of concerned ministries). It meets about twice a year and deliberates key ODA policy directions such as priority countries and sectors and the ratios of loans and grants. In 2010, 26 countries have been designated as strategic partner (recipient) countries for Korea’s ODA (the list of countries is not published).

Below CIDC, there are a Working Committee and a number of sub-committees consisting of MOSF and MOFAT officials, academia, NGOs, etc. These committees and subcommittees are charged with formulation of country assistance strategies, ODA evaluation, and other operational matters requiring holistic approach (see the figure below). Moreover, every five years, MOSF and MOFAT are expected to draft the “Basic Plan” for ODA and submit it to CIDC via the Working Committee. To improve efficiency and transparency of ODA, CIDC has been given the mandate for ex-post evaluation of ODA policy and projects, and must submit an ODA evaluation report to the National Assembly by June 30 every year.

### Korea’s ODA Policy-Making Structure



Source: Ahn Eungho, “Korea’s Development Cooperation Experience,” paper presented at the fifth JPI-FNF workshop, October 2010

<sup>8</sup> For the details of CIDC, see “Korea’s Development Cooperation Experience” by Dr. Ahn Eungho, Country Research Office, Korea EXIM-Bank. This paper was presented at the Jeju Peace Institute-Friedrich Nauman Foundation for Liberty Joint Workshop, held on Oct. 18-20, 2010.



#### 4. The Knowledge Sharing Program (KSP)

The Korean miracle in economic and political development has drawn admiration and strong interest from developing countries. Recognizing its global responsibility and comparative advantage of having a relatively recent memory of development<sup>9</sup>, the Korean government is working hard to become a bridge between traditional and emerging donors as well as donor and partner countries. As a new and still small ODA provider, Korea has clearly highlighted and institutionalized its intellectual aid as the “Knowledge Sharing Program (KSP).”

KSP activities are carried out through two channels: (i) MOSF and KDI; and (ii) MOFAT and KOICA. Regarding the former, KDI receives the program fund from MOSF and then hires Korean and local consultants for their work and supports their visits to and from partner countries. The latter is conducted by KOICA as part of bilateral ODA. Both emphasize the knowledge sharing of Korean development experiences tailored to each developing country.

KSP by MOSF/KDI started in 2004 and contains two main activities: (i) systematization of Korean development experiences; and (ii) policy consultation with developing partner countries. KSP initially tended to focus on “knowledge transfer” of what Korea did in the past, but more recently, its emphasis has shifted to “knowledge sharing” which means demand-driven and tailor-made consultation and joint problem-solving with individual partner countries. Currently, these are carried out by the Center for International Development (CID) of KDI<sup>10</sup>.

Regarding the systematization of Korean development experiences, over the next three years, MOSF plans to create about 100 modules (case studies) of specific policy measures and tools (e.g., Export Promotion Fund, Export Promotion Committee). Each module will have about 40-50 pages in English and contain background, options, decision making process, policy content, assessment, conclusion, etc. In 2010, compilation of 25 modules is underway with KDI assuming overall responsibility for supervision, coordination, and quality assurance. Some of these modules are produced by KDI itself (primarily in the areas of economic development planning, macroeconomic management, export promotion, and development financing) while other modules are assigned to other research institutes and consultants (increasingly through a bidding process). Discussion will be general and examples will be drawn not just from Korea but also from other countries, since Korean policies cannot be copied directly to other countries with different contexts (however, this intention by KDI does not seem to be completely shared by all concerned officials and

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<sup>9</sup> Many of our interviewees stressed that, unlike Japanese or Westerners, Korean officials and experts have gone through initial poverty and subsequent rapid growth so they can understand what poverty is and share their lessons with other countries from their own experiences.

<sup>10</sup> During 2004-09, KSP was carried out by various units within KDI—with the Center of Economic Cooperation (CEC) of the KDI School of Public Policy and Management providing education and training, and the Office of Development Cooperation (ODECO) conducting policy research and consultation. In 2010, CID was established to integrate these activities (as well as North Korea Research Division).

experts yet).

Policy consultation began in 1982 when Korea offered seminars and tours for developing countries (under IDEP). These activities were consolidated and institutionalized as KSP in 2004. Policy consultations are normally conducted in a one-year project cycle consisting of demand identification, policy research, policy consultation, and monitoring and evaluation<sup>11</sup>. In the first stage, MOSF conducts demand survey through Korean embassies in about 20 partner countries. Based on its results, Korea short-lists countries with high demand for intellectual support, political will, etc. and visits are organized to hear details from these countries. If a decision is made to initiate policy consultation, a joint team is organized (usually consisting of 4-5 experts from the Korean side and relevant officials from the other side). The Korean team visits the partner country a few times and conducts policy research and consultation, and the counterparts are invited to Korea for workshops and visiting relevant institutions, factories, industrial zones, etc. In this process, (retired) senior officials who have hands-on experiences in Korean development are mobilized to head policy dialogues. After monitoring and evaluation, the project may continue into the second or even the third year with additional topics selected by the partner country.

The other channel for KSP is provided by MOSF/KOICA which started more recently. An example is policy consultation for industrial development of Algeria implemented by the Korea Institute for Industrial Economics and Trade (KIET) during 2007-09. This KOICA/KIET support was initiated at the request of Algerian President to former Korean President Roh Moo-hyun on the occasion of his visit to Algeria. 13 KIET experts were mobilized to conduct analyses on six industries (petrochemical, iron and steel, IT, automotive, textile and apparel, and pharmaceutical) and six policy issues (export promotion, FDI attraction, technology, regional development, human resource, and SMEs). The project included eight (or more) visits and five workshops. Main counterparts were senior and middle-managers of the Ministry of Industry and Investment Promotion of the Algerian government.

To link KSP more effectively with KOICA's technical cooperation on the ground, the KOICA Research Office in 2010 proposed the "Korean Development Cooperation Model (KDCM)"<sup>12</sup> which selected 10 primary sub-sectors and 13 general sub-sectors as priority areas for KOICA's KSP. Prioritization was based on supply-side factors (Korea's experience, technical competency, complementarity with other donors, etc.) and demand-side factors (needs of partner countries, applicability, alignment with MDGs, etc.) Among sub-sectors, TVET, e-government, economic development strategy, integrated rural development, and supply of stable electricity scored high as Korea's priority areas. Beginning in 2011, KOICA plans to

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<sup>11</sup> Examples of policy consultations include Vietnam (support to Socio-Economic Development Strategy 2011-2020); Uzbekistan (development of Free Economic Zones); Indonesia (development of policy solutions for four high-priority areas); Cambodia (microfinance and public-private partnership development); and Kazakhstan (industrial-innovative development plan).

<sup>12</sup> "The Korean Development Cooperation Model," by Woojin Jung (Research Office), published by KOICA, 2010.

integrate KDCM into its operations gradually in the 26 strategic partner countries using country assistance strategies and sector strategies as key vehicles. To this end, KOICA hopes to strengthen the program-based approach and conduct a wide spectrum of consultations with various stakeholders (governments, NGOs, research institutes, etc.)

In our meetings, several experts noted that the two channels of KSP (MOSF/KDI and MOTFA/KOICA) are implemented separately without coordination. Since KSP hires Korean and local consultants under the MOSF-supported program fund, the traditional division of labor between grant aid/technical cooperation (MOFAT) and loan aid (MOSF) is becoming less clear in KSP, as the turf of MOFAT/KOICA is increasingly shared by MOSF/KDI.

Despite this problem, KSP is clearly a focal point for Korean development cooperation and expanded vigorously for projecting the Korean voice to the rest of the world. Together with Green Growth initiative mentioned above, knowledge sharing is regarded as Korea's strategic attempt to lead global agenda and design global rules. While Japan has also conducted intellectual cooperation with many developing countries in various forms and in large quantity—policy dialogues, drafting sectoral or regional development plans, joint research, industry surveys, seminars and lectures, study tours and training in Japan, etc.—Japanese effort in this area is less documented and institutionalized, less linked to global development architecture, and therefore less well known to the rest of the world.

## **5. Other**

During this mission, we did not have time to visit SMBA (located in Daejeon City) which is responsible for overall SME policy and support. Nor did we have sufficient time to visit *Saemaul Undong* Center (HQ located in Seoul) and *Saemaul Undong* Central Training Institute (located in Sungnam City). Many experts emphasized the contribution of *Saemaul* Movement (or New Village Movement), launched in 1970, to the modernization of Korea's rural economy—not only through community-based infrastructure and rural-livelihood improvement projects, but also through mindset and attitudinal changes of the people. "Can-Do spirit," a collective confidence-building effort, was encouraged, and three main values—diligence, self-help, and cooperation—were promoted across the country. Although *Saemaul* Movement took place primarily in the rural context, such national movement may parallel to Singapore's Productivity Movement in the urban context. These aspects deserve further investigation.

Attachment 1: Mission details

Attachment 2: Organizations/persons visited

Attachment 3: List of information collected

Attachment 4: Note on Korean SMEs

### Mission Details (21- 27 Nov. 2010)

#### 1. Mission Members

<b>Kenicni Ohno</b>	Professor, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan
<b>Izumi Ohno</b>	Professor, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan
<b>Berihu Assefa Gebrehiwot</b>	Researcher, National Graduate Institute for Policy Studies (GRIPS), Tokyo, Japan and Ethiopian Development Research Institute (EDRI), Addis Ababa, Ethiopia
<b>Nguyen Thi Xuan Thuy</b>	Researcher, Vietnam Development Forum (VDF) / GRIPS-NEU Joint Research Project, Hanoi, Vietnam
<b>Truong Thi Chi BINH</b>	Director, Supporting Industry Enterprise Development Center, Institute for Industry Strategy and Policy, Ministry of Industry and Trade, Hanoi Vietnam

#### 2. Mission Schedule

DATE				TIME	ACTIVITY
1	Nov	21	Sun	AM	
				PM	Arrival
2	Nov	22	Mon	AM	Korea International Cooperation Agency (KOICA)
				PM	Korea Institute for International Economic Policy (KIEP)
				PM	Dr. Thomas Kalinowski, Assistant Professor, Ewha Womans University
3	Nov	23	Tue	AM	Korea Development Institute (KDI)
				PM	Korea Institute for Industrial Economics and Trade (KIET)
4	Nov	24	Wed	AM	Korea Institute for Development Strategy (KDS)
				PM	Ministry of Knowledge Economy (MKE)
				PM	Prof. Eun Mee Kim, Ewha Womans University
5	Nov	25	Thu	AM	Korea Small Business Institute (KOSBI)
				PM	Korea Institute for Industrial Economics and Trade (KIET)
				PM	Small Business Corporation (SBC)
6	Nov	26	Fri	AM	Korea Trade-Investment Promotion Agency (KOTRA)
				PM	Prof. Kang Sun Jin, Korea University
7	Nov	27	Sat	PM	Departure

Note:

Among five mission members, Kenichi Ohno, Izumi Ohno (GRIPS Development Forum), Nguyen Thi Xuan Thuy (Vietnam Development Forum) and Truong Thi Chi Binh are the members of the JICA-commissioned study mission.

## Organizations/Persons Visited

### The Government /Governmental Organization of Korea

Organization	Name	Position
Ministry of Knowledge Economy (MKE)	Ahn, Chang-yong	Senior Deputy Director, Industrial Economic Policy Div., Office of Industrial Economic Policy
	Son, Hoyoung	Director, Planning & Management Team, Planning Office of Free Economic Zone
	Kim, Beom Soo	Deputy Director, Policy Planning Team, Planning Office of Free Economic Zone
Korea International Cooperation Agency (KOICA)	Kim In	Managing Director, Research Office
	Woojin Jung	Policy Analyst, Policy Research Office
	Moon, Sangwon	Manager, Policy Planning Team, Regional Strategy Department
	Kang Kongnae	Policy Research Office
Small & Medium Business Corporation (SBC)	Kim, Yi-Won	Senior Manager, Global Cooperation Dept.
	Junghee Baek	Manager, Global Cooperation Dept.
	Chung, Ha Rim	Global Cooperation Dept.
Korea Trade-Investment Promotion Agency (KOTRA)	Mi-Ho Jon	Director, Business Development Team
	Seung-Woo Lee	Manager, Business Development Team

### Research Institutes / Universities

Organization	Name	Position
Korea Development Institute (KDI)	Kim, Joo Hoon	Vice President
	Kwang Eon Sul	Managing Director, Center for International Development
	Wonhyuk Lim	Director of Policy Research, Center for International Development
	Kim, Ji Hwan	Specialist, Policy Consultation Division, Center for International Development
Korea Institute for International Economic Policy (KIEP)	Bokyeong Park	Director, Dept. of International Macroeconomics and Finance
	Yul Kwon	Head of Development Cooperation Team, Center for International Development Cooperation
Korea Institute for Industrial Economics & Trade (KIET)	Kim, Dohoon	Senior Research Fellow
	Joo, Dong-Joo	Research Fellow, Industrial Cooperation and Globalization Division
	Yang, Hyun Bong	Research Fellow, Small and Venture Business Research Division
Research Institute for Small & Medium Industries (KOSBI)	Soon Yeong Hong	Senior Research Fellow
Korea Institute for Development Strategy (KDS)	Seung-Hun Chun	President
	Yeon Seung Chung	Visiting Research Fellow
Korea University	Sung Jin Kang	Professor, Department of Economics
Ewha Womans University	Eun Mee Kim	Professor, Graduate School of International Studies
	Thomas Kalinowski	Assistant Professor, Graduate School of International Studies

## List of Information Collected

Source	Title	Authors / Publishers
Ministry of Knowledge Economy (MKE)	Ministry of Knowledge Economy	
	Where Business Blossoms, Korean Free Economic Zones	
Korea International Cooperation Agency (KOICA)	<i>Journal of International Development Cooperation, 2010 No.3</i>	KOICA
	PPT: Korean Development Cooperation Model (KDCM)	Woojin Jung/ KOICA Research Office
Small & Medium Businesses Corporation (SBA)	Supporting your Success (English and Japanese)	SBA
Korea Trade-Investment Promotion Agency (KOTRA)	Korea Trade-Investment Promotion Agency	KOTRA
Korea Development Institute (KDI)	<i>Toward the Consolidation of the G20, From Crisis Committee to Global Steering Committee</i>	Editors: Colin I .Bradford and Wonhyuk Lim/ KDI, The Brookings Institution
	<i>Postcrisis Growth and Development, A Development Agenda for the G-20</i>	Editors: Shahrokh Fardoust, Yongbeom Kim, Claudia Sepulveda/ The World Bank
	<i>Economic Growth in Low Income Countries: How the G20 Can Help to Raise and Sustain it (Working Paper 2010-01)</i>	L Alan Winters, Wonhyuk Lim, Lucia Hanmer, and Sidney Augustin/ KDI
	Center for International Development	CID/KDI
	Knowledge Sharing Program	KSP/KDI
Korea Institute for Industrial Economics & Trade (KIET)	<i>Proceedings for The Fourth Workshop for the Industrial Development Plan of Algeria, October 20-22, 2007, In Algiers, Algeria</i>	KOICA·KIET
	<i>Report on ODA (Korean)</i>	EDCF, EXIM, KIET
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Korea Institute for Internatioal Economic Policy (KIEP)	PPT: Changing Landscape of the ASEAN and Korea ASEAN Cooperation	Yul Kwon/ KIEP
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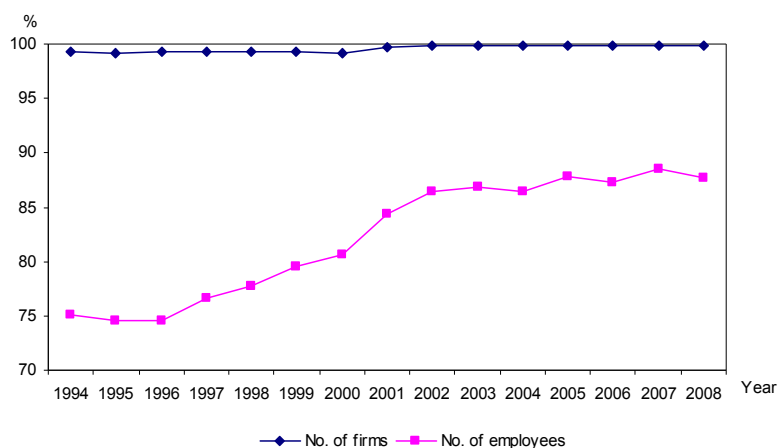
## Korean SMEs

**Table 1. Definitions of SMEs, Small Businesses and Micro Enterprises**

Sector	SMEs		Small business	Micro enterprises	
	No. of employees	Capital/Sales	No. of employees	No. of employees	
Manufacturing	Less than 300	Capital worth \$8M or less	Less than 50	Less than 10	
Mining, construction and transportation	Less than 300	Capital worth \$3M or less	Less than 50	Less than 10	
Services	Large general retail stores, hotel, hospital...	Less than 300	Sales worth \$30M or less	Less than 10	Less than 5
	Seed and seedling production, fishing, business support services, etc.	Less than 200	Sales worth \$20M or less	Less than 10	Less than 5
	Wholesale and product intermediation, machinery equipment rent for industrial use, etc.	Less than 100	Sales worth \$10M or less	Less than 10	Less than 5
Others	Less than 50	Sales worth \$5M or less	Less than 10	Less than 5	

Source: Small and Medium Business Administration.

**Graph 1. Shares of SMEs in Establishments and Employment**



Source: Small and Medium Business Administration.

**Table 2. Korean SMEs' Overseas Investment by Region**

Region Distribution	2006		2007		2008	
	Number of Cases	Amount (mil USD)	Number of Cases	Amount (mil USD)	Number of Cases	Amount (mil USD)
<b>Total</b>	<b>9,148</b>	<b>3,383</b>	<b>11,192</b>	<b>5,882</b>	<b>10,408</b>	<b>5,707</b>
Asia	85.0%	73.7%	81.3%	67.1%	77.9%	65.7%
Middle East	0.6%	1.3%	1.3%	1.1%	1.5%	1.3%
North America	8.7%	14.1%	9.5%	12.0%	11.7%	10.3%
Latin America	1.0%	3.9%	1.7%	6.4%	1.8%	12.1%
Europe	3.1%	5.6%	3.9%	9.8%	4.8%	6.6%
Others	1.5%	1.4%	2.2%	3.7%	2.4%	3.9%

Source: The Export-Import Bank of Korea