

**SMEs are fostered as export leaders
contributing to half of Korean exports**

- The MSS announced the “Scheme on Export Support for SMEs”-

The Ministry of SMEs and Startups (MSS) (Minister LEE Young) announced the “Scheme on Export Support for Small and Medium-Sized Enterprises (SMEs)” to stimulate new export markets in the era of the digital economy at an emergency meeting of economy-related ministers held on January 26, 2023.

Subsequently, a gathering was held at the head office of the Export-Import Bank of Korea, where exporting SMEs and export experts were informed of the background and main contents of the “Scheme on Export Support for Small and Medium-Sized Enterprises (SMEs)”, and afterwards, various opinions of attendees based on their field experience were shared.

Korean SMEs have contributed to nearly 40% of Korea’s total exports even if indirect exports* are included. Last year, they exhibited a satisfactory export performance by reaching \$ 117.5 billion in yearly exports (up from \$ 115.5 billion in the previous year) despite many challenging circumstances such as the worldwide economic downturn, soaring prices of raw materials, unstable supply chains, and fluctuations in exchange rates.

* Indirect export: the practice whereby exports are contributed to through the supply of raw and subsidiary materials to exporting companies

However, given the sluggish exports of Korean SMEs to China, especially for their major export items such as plastic products and cosmetics which rank first and second, respectively, SMEs’ exports have shown signs of decline since the second half of last year. Therefore, Korean SMEs need new growth engines to overcome such difficulties. In this regard, the MSS has set up a scheme on export support for SMEs in order to generate new export markets in the era of the digital economy.

The main contents of the scheme on export support are as follows:

First, expansion to new export markets in relation to digital technology fields

In order to expand platform-based online exports, the entire process for online exports which encompasses opening shops, promotion, logistics, delivery, etc. as a one-stop package will be supported with up to KRW 100 million, and Korea's first aviation logistics center dedicated to exporting SMEs is also to be established.

In addition, the participation of SMEs in overseas exhibitions in relation to new industry fields, such as content, smart factory and smart city supply technologies, will be supported. By introducing a quota system for supporting service exports that allows excellent service-exporting SMEs to receive preferential treatment with respect to export policies, the export support for services such as content and technology which are promising export fields of the future will also be considerably strengthened.

Furthermore, the MSS is planning to carry out a global unicorn project and provide full support for the globalisation of venture and start-up companies by creating venture funds and events for exchange purposes to promote their entry into Middle Eastern and European markets and extending collaboration programs with global conglomerates.

Second, cultivation of strong companies with global competitiveness.

① “Domestic Companies’ Expansion to the world 1000+” project

For strong SMEs which have been recognized for their competitiveness in Korea, such as indirect exporters, the export voucher support limit will be doubled, and policy funds will be provided preferentially.

In particular, to make sure that indirect exporters which supply raw and subsidiary materials to exporting companies such as conglomerates are appropriately evaluated for their contribution to exports, corresponding systems will be organised by having the number of indirect export certificates issued by large companies reflected in the evaluation of the win-win index and treating direct and indirect exports in the same way in relation to export support policies. Additionally, a government award is to be established in an attempt to acknowledge the contribution to exports and the achievements of indirect exporters.

② “Global Hidden Champions 1000+” project

The current multiple designation systems for exporting companies will be integrated into a single system for “Global Hidden Champion” designation. The companies selected as a global hidden champion will be automatically supported with export vouchers.

In addition to export vouchers, exporting companies with the amount of exports reaching \$ 5 million or more will be fostered as a leading exporter, and this will entail focusing the government’s policy competency on R&D, policy financing, and smart factory support.

③ “Export Target Country Diversification (+N)” project

A diversification indicator (20%) is to be newly inserted in the evaluation index for export support projects. For SMEs which are pursuing diversification, the MSS will alleviate cost burden by 10% when they are involved in export support policies as a part of providing preferential support for the exporting companies working for diversification. Afterwards, companies which have successfully achieved diversification can be preferentially selected as a recipient of policy funds and given incentives such as a cut in interest rates.

In addition, the need for diversification will be analyzed by reflecting the status of export competitiveness by item and country and the market conditions in export target countries, and necessary information, such as the recommendation of new export target countries, will be provided to SMEs which want to achieve diversification.

Third, establishment of an export support system based on on-site demand

Export incubators installed in major global trade hubs such as New York, Tokyo, and Dubai will be reorganized into ‘Global Biz Centers’ in the form of shared offices so that more SMEs can use them, and be utilized as a strategic foothold for collaborations with Korean community associations or organisations and business persons in relevant overseas countries.

Large expositions will be held in overseas countries, such as ‘K-POP with K-BRAND’, an event where a K-pop performance is combined with an export exhibition, ‘K-Content Expo in Dubai’ intended to pioneer Middle Eastern markets with the recent spread of the Korean Wave, and ‘K-Brand Expo’ based on collaborations with private distributors. The MSS is also planning to expand support for the participation of SMEs in export exhibitions for target markets such as the Middle East, the EU, and the Americas.

In response to the globally expanding demand for overseas specification certifications, the MSS is to operate a dedicated response team centered on six major certifications, such as CE (Europe), NMPA (China), and FDA (US), which are in high demand from companies, and will establish a new fast track that supports year-round receipt and promotes simplified review. For the certifications related to ESG and carbon neutrality, the support limit will also be expanded for each certification.

To help SMEs cope with financial crises such as rapid fluctuations in exchange rates, the MSS will support the foreign exchange risk insurance premium and export insurance premium and also provide economic aid for export financing amounting to KRW 17.8 trillion.

In order to resolve the on-site difficulties of exporting SMEs and improve applicable regulations, the function of corporate monitoring in the export support centers for SMEs by region around the country will be strengthened, and the received statements of proposals, etc. will be promptly processed in collaboration with the pan-ministerial joint ‘One-Stop Export/Order Support Group’.

“SMEs have directly and indirectly contributed to 40% of total exports in Korea, playing a vital role as the bedrock of our economy, but it is time to come up with new growth strategies so that they can rise to recent global challenges such as economic recession and make a new leap forward,” said Minister LEE Young.

“Based on various suggestions from about 20 discussions held since October of last year, we have set up the ‘Scheme on Export Support for SMEs’. A variety of views shared in today’s discussion will also be closely examined and reflected in the scheme on export support.”

“We will continue to pay attention to ensuring that the policies included in the scheme on export support are implemented as planned in the field and provide full support for exporting SMEs until they contribute to more than 50% of Korea’s total exports and grow into true leaders in terms of Korean exports,” she added.