



HIGHER SCHOOL OF ECONOMICS
NATIONAL RESEARCH UNIVERSITY



Small and Medium-Sized Enterprises in east Asia

China-Hong Kong-Taiwan-South Korea



Agenda

- Introduction
- Definitions
- Brief overview of the markets
- Detailed info about the markets
- Common challenges

Basic Facts-East Asia

- More than 1.5 billion people
- 38% of Asian or 22 % of world population
- 133 inhabitants per km²
- 15% bigger than area of Europe
- E.g. **China, Hong Kong, Korea (S & N), Taiwan, Japan**





Basic Facts-East Asia

- Presence and Importance of SME in East Asia
- SMEs face different challenges depending in each market → great diversity of the economies and development experience
- Major Challenges of East Asian countries are similar

Definition of SMEs

- Global Definition
 - No legally binding definition
 - Definition various against different criterias:
 - Different sectors, number of employees, output (sales), assets
 - OECD: up to 99 (small), 100-499 (medium) enterprises
 - However, different definitions by some countries

Definition of SMES

Economy	Category of Industry	Criteria Employees	Criteria Assets
Hong Kong	Manufacturing	<100	-
	Non Manufacturing	<50	-
Korea	Manufacturing	<300	<10.89-43.57 £
	Mining and Transport	<300	
	Construction	<200	
	Commerce (+services)	<20	
Taiwan	Manufacturing, mining, Construction Services industries	<200 <50	<0.93 Mio. £ <1.24 Mio. £
China	Industrial	<300	
	Construction	<600	
	Retails	<100	

Role of SMEs in East Asia

Economy	Share of total Enterprises (%)	Share of employment (%)	Share of exports (%)	Contribution to GDP (%)
China	99	40	62.3	60
Hong Kong	98	48	94	48
Taiwan	98	78.06	17	31
S.Korea	99.9	87.5	30.9	49.4

China (1/2)



- Open door policy 1979
- Transformation to socialist market economy
- Second largest economy/largest exporter
- International trade largest contribution to GDP
- SMEs promotion in early stages for employment of rural labour and compensation of mass lay-offs

China (2/2)

- Transformation of SMEs from fringes → supplement → important component
- SMEs account 60% of GDP, 50% tax revenue
- SMEs responsible for 65% of invention patents, 80% of new products
- Government demphasised ownership and extend support to all sorts of firms
- After financial crisis special plan for SMEs was issued by Government



Hong Kong



- Hong Kong SMEs highly depend on international trade
- High involvement in service industry (12 th largest service exporter)
- Service sector accounted 90% of GDP and 88% of the employment
- Government provides a suitable and stable framework (minimum interference)



Hong Kong



- Creating of business friendly environment
- Strengthening Hong Kong's position as a regions's hub for headquarters, trade, logistics shipping etc.

Taiwan



- Regarded as a diverse small firm economy
- Domination of family businesses and family like relationship
- SMEs influenced by different developments
- Taiwan's export promotion policy and open economy influenced the SMEs
- Last decades Taiwan became more service oriented and labour costs increased
- Searching for cheap labour in china (+southeast asia)
- Still high support of the government for SMEs

South Korea



- Dual Structure; a small number of very large enterprises and large number of SMEs
- Shift from „Chaebol-led economy“ to joint development of SMEs
- Increasing promotion of SMEs
- SMEs guarantee competitiveness
- SMEs as possible subcontractors for large conglomerates (vertical relation)
- SMEs for more domestic market orientation

Summary

Economy	Economy Character	Development Strategy	SME Majority	Gov. Support/Intervention
China	Socialist M.E.	Mix of SOEs and PES	Privately owned	Substantial intervention
Hong Kong	Free Economy	SME-dominated	Service oriented	support
Taiwan	Capitalist Economy	SME-networked	Family businesses	Selective intervention
S. Korea	Highly industrialised Economy	Joint development	Innovation oriented	Actively involved



Rankings according World Bank

Ranking Item	China	Hong Kong	Taiwan	S. Korea
Starting a Business	128	8	15	17
Dealing with C. Permits	179	1	11	12
Getting Elec.	124	13	2	1
Regisit. Prop.	37	96	40	79
Getting credit	71	23	52	36
Protecting Minority Inv.	132	2	30	21
Paying Taxes	120	4	37	25
Trading ac. B.	98	2	32	3
Enforc. Contr.	35	6	93	4
Resolving Ins.	53	25	18	5

Starting a business

Indicator	China (Beijing)	Hong Kong	Taiwan	S. Korea
Procedures	11	3	3	3
Time (days)	33	2.5	10	4
Cost (of income % per capita)	0.9	1.4	2.2	14.5

Common challenges

- Decline in market demand (after 2009)
 - Great dependency on exports intensifies the degree to the vulnerability of SMEs to world economic downturn
 - Strategic shift to domestic market
- SMEs face difficulties in getting credits, poor technological and managerial capabilities
- Less flexibility in difficult times



Common Challenges

- Highly skilled workforce key element for success
 - Shift of SMEs from labour intensive manufacturing operations to innovation oriented
 - Knowledge based growth needs human resources
 - Shortage in the labour market/aging population



Thank you for your attention

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Inputs for Q & A

- Paying taxes (% of Profit):
 - China: 64 %
 - Taiwan: 34.4%
 - Hong Kong: 22.8%
 - South Korea: 32.4 %

References

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