A Study on Firm Size-Dependent Policies in South Korea

Yangshin Park, Minji Kang, Youngmin Kim

Chapter 1. Introduction

The South Korean government's industry policy has evolved dramatically over time in response to changes in the social environment and policy objectives. Up to and during the 1980s, the government was actively involved in the industrialization of the entire nation, based on its determination to expedite economic growth. This firm pro-growth stance is what made it possible for South Korea to achieve its remarkable socioeconomic transformation within such a short span of time, but it also led to growing polarization between large corporations and small and medium enterprises (SMEs) and increased the unfairness of market competition. The mixture of industrialization policies catering chiefly to the interests of large corporations and the more distribution-oriented protective policies for SMEs has led to the escalation of the conflict between the country's growth policy and balance policy, making it impossible for the Korean government to implement consistent and coherent policy measures for firms of different sizes. In this study, we survey the needs of firms of different sizes in terms of policy support, and examine whether the differences in such needs reflect the particular circumstances under which the Korean economy has grown. We attempt to determine whether the past pro-growth industrialization policy has distorted the structure of market competition in Korea and whether the recently introduced business support measures can effectively cater to the different needs of firms.

Chapter 2. Definition and Scope of Firm Size-Dependent Policies

1. Definition

Firm size-dependent policies began cropping up in Korea as secondary instruments of the Korean government's industrialization drive. During the process of fostering certain industries up to and during the 1980s, the Korean government began providing policy support for SMEs as partners in the growth of large corporations. In this study, we define firm size-dependent policies as follows:

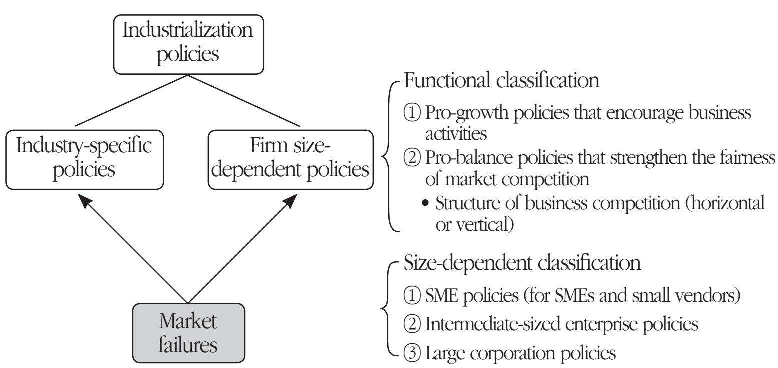
Firm size-dependent policies refer to policy measures with which the government, intent on correcting market failures or improving business environments, differentiates the support it provides for, or the regulations it imposes on, firms depending on their sizes.

Different policies define and measure firm size according to different criteria (revenue, total capital, number of permanent workers, etc.) depending on their objectives. In Korea, most firm size-dependent policies divide businesses into three categories, i.e., SMEs, intermediate-sized enterprises, and large corporations and conglomerates banned from making mutual investments.

2. Scope and Typology

While policies fostering the growth of specific industries focus solely on promoting economic growth, firm size-dependent policies pursue two different goals. The first is promoting economic growth by encouraging business activities. Firm size-dependent policies of this kind focus on correcting market biases against small businesses by providing these businesses with the capital and R&D investment they need.

The second objective is to strengthen the balance and fairness of competition by fostering an environment conducive to fair com-



petition. Firm size-dependent policies in Korea are compelled to place checks and balances on large corporations because of the distortions inherent to the Korean market structure, i.e., the concentration of wealth in large corporations that strengthen their positions by expanding their business portfolios to include diverse and unrelated fields. The stratification of the structure of competition driven by large corporations adds to the unfairness of the market environment and even prevents SMEs from growing. Firm size-dependent policies of this kind impose different requirements depending on the nature—horizontal or vertical—of the relationships between businesses in the market. Policies focusing on horizontal relationships seek to mitigate possible increases in unfairness brought about by the concentration of wealth and power in large corporations, while those focusing on vertical relationships seek to prevent unfair subcontracts that can arise in the transactions between large corporations and SMEs.

Chapter 3. Demand for Firm Size-Dependent Policies and Main Issues

1. Businesses' Need for Policy Support Differentiated by Firm Size

(1) Policy Concentration on Small Businesses and the Distortion of Firm Size Distribution

Small businesses with one to four employees make up the vast bulk of businesses in Korea. This distorted distribution of firm sizes complicates the efficient allocation of human and financial resources and weakens the Korean economy's capability for innovation. Some argue, however, that this is an inevitable phenomenon resulting from the transition of the Korean economy following its period of rapid growth.[1] The recent intensification of global competition has forced large corporations to carry out restructuring and massive layoffs, leaving self-employed businesses to absorb much of the workforce in the process. Faulting the concentration of policy support on small businesses employing nine or fewer workers each for the distorted distribution of firm sizes would therefore represent a gross misunderstanding of the contexts under and purposes for which such policy support was introduced in the first place. Policy for small businesses should be regarded not as a matter of industrialization, but as a matter of social welfare and justice.

(2) Policy Needs of SMEs and Main Issues

Due to their small size and lack of resources, SMEs often face and lose out in unfair competition with large corporations. The vertical relationship of subcontracts between SMEs and large corporations further contributes to the growing market imbalance and failures.

Policy support for SMEs can take various forms depending on how intent the government is on ensuring the fairness of competition. Policy measures oriented toward distributive fairness re-

1) Hyeon Ju, Sukgyeong Kim, and Jongho Kim (2013).

gard SMEs as the weak parties in need of protection. This stance, however, may encourage moral hazard among SMEs, leading them to rely on government support without making efficient use of the policy resources they are given to achieve sustainable growth. In an effort to address this problem, the Korean government introduced measures emphasizing procedural fairness, designed to eliminate elements of unfairness from the competition environment so that SMEs could compete more effectively. Since the Asian Financial Crisis revealed the limitations of the government's pro-growth policy catering to large corporations, SMEs have been increasingly emerging as the new leaders of innovation. In light of this, the Korean government's current policy measures for SMEs strive to not only protect SMEs, but also ensure fair competition and induce SMEs with the most potential to make their best efforts toward innovation.

(3) Policy Needs of Intermediate-sized Enterprises and Main Issues

There is one major issue facing policy measures concerning intermediate-sized enterprises—that is, the dilemma intermediate-sized enterprises face upon rising from their status as SMEs to their current positions, i.e., their exclusion from the various policy benefits for SMEs while still retaining their inferior market status in relation to large corporations. Even today, there is ongoing debate on the extent to which policy support should be provided for intermediate-sized enterprises. The government should no longer extend the same kind of protective measures to intermediate-sized enterprises as it does to SMEs.

The key is to help intermediate-sized enterprises firmly establish themselves as the center of the ladder of growth in the Korean economy. To this end, the Korean government has launched a program that selects and supports intermediate-sized enterprises with great potential to become world-class players. The Small and Medium Business Administration (SMBA)'s World Class 300 R&D Support Project was launched in 2011 with the goal of finding and fostering such intermediate-sized enterprises with the potential to go on to become leaders in global industries. Additional review, however, is needed to determine whether this program has effectively served its original goal. It is also critical to ensure the fairness and rationality of the criteria used to select intermediate-sized enterprises worthy of government support.

(4) Need for the Regulation of Large Corporations and Main Issues

Large corporations in Korea owe their current status to the unique political and economic circumstances that have shaped the Korean government's industrialization policy. However, these corporations are now facing increasing criticism due to their willingness to venture into diverse and unrelated markets and the general concentration of wealth that they represent.[2] Korea's large corporations have become as powerful as they are today not through

2) The concentration of wealth proceeds in three stages, i.e., market concentration, general concentration, and ownership concentration, depending on the extent to which a company producing certain products or dominant in certain industries can influence a given market, industry, or even national economy (Dujin Kim, 2006, p. 68).

market competition, but due to the fact that they were the chief beneficiaries of the Korean government's past industrialization policies. These corporations have all grown into conglomerates encompassing multiple subsidiary companies with considerable presences in diverse, unrelated markets. Critics claim that the permission the corporations have been given to venture into so many diverse fields has helped them amass even greater wealth and power, thereby distorting the overall market structure. In 1986, the Korean government made its first attempt to limit the concentration of wealth in these conglomerates by enacting the Fair Trade Act, acknowledging that the corporations could undermine fair competition in the market.

However, these regulatory measures are also incurring criticism for their a priori and categorical approach, which could discourage effective investment in large corporations and have the effect of reverse discrimination against Korean corporations. Moreover, policymakers are tempted to readjust and reduce the intensity of regulation to achieve tangible results in terms of industrialization or economic growth in the short term. The debate on policy measures concerning the concentration of wealth should therefore start by asking whether ex-post market regulation could give rise to a truly fair market environment when the market structure has already been so distorted by Korea's past economic growth policies.

2. Conflicts of Industry-Specific Policies

The Korean government's industrialization policies have so far been fostering specific industries, such as the heavy and chemical industries, to promote economic growth. Although there is growing awareness of the need to enhance the overall business environment and its fairness in order to increase the competitiveness of industries in the long term, Korean policymakers have consistently prioritized industry-specific pro-growth policies to achieve tangible outcomes in the short term in response to the theories of economic crisis and the "sandwich" economy.[3] Such industry-specific pro-growth policies, however, tend to concentrate resources and opportunities in only a few large corporations, exposing smaller enterprises to increasing unfairness. Insofar as the Korean government insists on maintaining these industry-specific pro-growth policies while also trying to protect SMEs, the inevitable result will be further conflicts and inefficiencies.

Chapter 4. Trends in Firm Size-Dependent Policies

1. By Era

The Korean government's firm size-dependent policies originated with the overarching and more important industry-specific pro-growth policies. Pursuant to the Act on the Promotion of Collaborative Cooperation between Large Enterprises and SMEs, which was passed in 1975, the Korean government designated certain industries to be systematized and established the categories of commodities whose production was to be systematized, leading large corporations to contract out their production to SMEs. This

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3) Hyeon Ju et al. (2015).

policy was introduced as part of the heavy and chemical industry (HCI) drive, which sought to achieve an economy of scale by restructuring industries in favor of large corporations. This policy, in effect, forced SMEs to serve as contractors and suppliers for large corporations, which characterizes the overall division of labor in the Korean economy. This industry-specific pro-growth strategy was effective in the early days of Korea's economic development, but has gradually lost its effectiveness over time for a number of reasons. First, such a strategy only widens the gap between SMEs in government-favored industries and SMEs in other industries, as well as between large corporations and their SME contractors and suppliers, making fair competition fundamentally impossible. Second, the difference in the bargaining power between large corporations and their SME contractors and suppliers also discourages the efforts of the latter to achieve self-improvement (e.g., technological innovation), thereby perpetuating the cycle of unfairness. This not only undermines the equitable distribution of resources and opportunities, but also erodes the motivation of SMEs to achieve innovation, permanently trapping them in secondary, non-growth positions.

In response to these problems, the Korean government introduced new measures to provide a fairer environment of competition for SMEs. These measures combine protective and preferential measures for struggling SMEs with measures that seek to restore equal opportunities for SMEs. Examples include programs that accord preferential treatment to government-recognized "Venture Enterprises" and "Inno-Biz Enterprises," as new sources of economic innovation, and new legislation to support intermediate-sized enterprises with the potential to become market leaders.

The Korean government's policy measures for SMEs have focused largely on protecting and fostering them, but there is also a growing tendency toward emphasizing such values as autonomy and competition. Examples include the stage-by-stage removal of restrictions on specific industries and the abolition of private collective contracts.

Chapter 5. Current Status of Firm Size-Dependent Policies

1. Pro-Growth Policies Encouraging Business Activities

(1) Financial Support

The chronic difficulties SMEs encounter in acquiring the capital they need are reflective of market failures. Startups facing significant risk of failure struggle especially hard to secure loans and investment in the private-sector financial market. In the past, policy finance programs concentrated fiscal resources on large corporations to promote the growth of certain industries. Since the late 1990s, however, these programs have been diversified to function as safety valves, expedite the restructuring of insolvent businesses, support SMEs and startups, and administer investments in new industries.

There are two main sources of demand for policy finance. One involves SMEs that struggle to secure capital and financial assistance on their own, while the other is the need to foster new and emerging industries for future economic growth. Korea Development Bank (KDB), a policy bank that handles the majority of policy finance programs, provided 52 percent of its entire budget for loans to intermediate-sized enterprises and large corporations in 2015, with particularly high levels of concentration in business cycle-sensitive industries, such as shipbuilding and shipping. Industrial Bank of Korea (IBK) is another policy bank that focuses on helping SMEs. Recently, IBK has evolved to foster startups and growing SMEs, while KDB has begun increasing its support for intermediate-sized enterprises and SMEs with the potential to become intermediate-sized enterprises.

The Korea Credit Guarantee Fund (KCGF) was established with the mission of guaranteeing the debts of businesses as a means of facilitating their search for the capital they need. Whereas the KCGF guarantees the debts of companies based on companies' future growth potential and current value, the Korea Technology Credit Guarantee Fund (KTCGF) provides guarantees based on the quality and future prospects of the technologies that SMEs possess. The KTCGF and KCGF also evaluate and certify the Venture Enterprises, Inno-Biz Enterprises, and Management Innovation (MAIN)-Biz Enterprises for policy finance. Faced with skepticism over how efficiently these certification programs are being managed, the Korean government has adopted a more market-friendly approach to policy finance. Introduced as part of this new approach, the On-Lending Program provides long-term and low-interest loans for SMEs with annual sales revenue of KRW 300 million or more based on a market-focused review.

The Korean government has also introduced new policy finance programs designed to foster new industries. These programs differ from the industrialization policies of the 1980s in that they chiefly benefit startups and SMEs rather than large corporations. Today, there is a growing tendency to provide lifecycle-specific forms of support for SMEs in different stages of growth, including birth (zero to three years), growth (six to seven years), maturity (12 years), and stability or restructuring. Such differentiation is required because few private investors are willing to invest in high-risk SMEs in the early stages, and the funding gap facing these early-stage SMEs serves to extend the periods of time over which investors may collect returns on their investments. As part of its effort to foster new industries, the Korean government is also shifting its focus from providing loans and credit to making investments. The various investment funds raised by government ministries, such as the Growth Ladder Fund (KRW 2 trillion, Financial Supervisory Commission), Future Creation Fund (KRW 600 billion, SMBA), New Engine for Growth Fund (KRW 800 billion, Ministry of Trade, Industry and Energy), and Young Entrepreneurship Fund, all seek to provide the “priming water” for continued private-sector investment in emerging industries. The injection of policy finance into the private sector has increased investment in private-sector financial markets, such as those for venture capital and angel investment, but the oversupply of policy finance money could also crowd out investment from the private sector.

(2) Tax Support for R&D and Human Resource Development

The Korean government imposes a progressive income tax scheme on businesses of different sizes. Accounting for KRW 43.9

trillion of the government's tax revenue in 2013, corporate income taxes form the second-most important source of revenue for the Korean government next to value-added taxes. The Korean government uses the revenue it collects through corporate income taxes to support the activities of businesses and provide them with tax breaks on R&D investment, employment, and technological development. In other words, the Korean government deducts the costs of R&D, special tax breaks for SMEs, and the creation of jobs from the corporate income taxes paid by businesses. It also treats the charitable giving of businesses as tax deductible. The Korean government then spends the tax revenue it collects from businesses to promote R&D and support SMEs.

The special tax breaks for SMEs, forming part of the Korean government's program to support the management stability of SMEs, reduces the income taxes payable by SMEs in particular industries by five to 30 percent. As this program applies to both SMEs and businesses of all sizes involved in certain industries, it generates few externalities and exists purely to protect SMEs. In 2012, the Korean government also introduced tax breaks on the cost of employment by abolishing the temporary investment tax breaks and reducing the amount of taxable corporate income by KRW 10 million for every employee a business hires, because the temporary investment tax breaks that existed in the past tended to benefit only large corporations and failed to induce these corporations to create jobs.

As of 2016, the tax breaks on R&D and human resource spending accounted for 50 percent of the Korean government's spending of corporate income tax revenue. Tax breaks on R&D investment are about the only form of policy support for large corporations in Korea. These breaks are justified, theoretically, because there are always market incentives for the outcomes of a company's R&D to spill over and attract free-riding (Son, 2012), and these incentives thus serve to keep the level of R&D investment below the level necessary to optimize the economy. The tax breaks on R&D investment thus serve to correct market failures. Moreover, these tax breaks promote the growth of industries that are crucial to Korea's future economic growth. To induce greater investment in new, high-risk industries and technologies, the Korean government introduced additional tax breaks on R&D investment in new growth engine industries in 2010. Under the amended tax law of 2016, corporate income taxes payable by businesses can be reduced by an amount of up to 30 percent of the investments they have made in R&D for new growth engine industries. However, the failure of the new tax breaks to sufficiently differentiate firms of different sizes and the complexity of the administrative procedures involved complicate their effective administration.

2. Pro-Balance Policies Toward Fostering Fair Competition

(1) Limiting the Concentration of Wealth

Efforts to limit the concentration of wealth have mostly been carried out under the Fair Trade Act, because the concentration of economic resources and opportunities in large corporations has led to the general concentration of wealth in these companies in Korea, thereby distorting the market structure and stifling fair competition in the market.

The Fair Trade Act imposes various restrictions on the concentration of wealth, including the ban on mutual investment among the subsidiaries of a given conglomerate (Article 9), ban on circular investment (Article 9.2), restrictions on the guarantees of liabilities (Article 10.2), regulation of holding companies (Articles 8 and 8.2), requirement of the public disclosure of large-scale internal transactions and restriction on the voting rights of financial and insurance companies (Article 11), and restrictions on unfair internal trade (Article 23).

In the past, owners of large corporations used mutual investment among subsidiaries as a means of ensuring their dominance over the stockholding structures of their companies when the government made large amounts of policy finance available for large corporations as part of its industrialization policies. Such mutual investment among subsidiaries violates the rights and interests of small shareholders that have invested in those companies. Moreover, such investments allow large corporations to expand their business portfolios through the joint liability guarantees of their subsidiaries, undermining the fairness of competition and increasing the risks of widespread bankruptcies. Restrictions on these investments, however, have been criticized because of the a priori and categorical limits they impose on business investments and activities that are unsuited to self-claimed market economies (Cho, 2006).

The Special Act on Corporate Revitalization, effective since August 2016, was enacted to facilitate the proactive restructuring of business organizations by preventing insolvency and enhancing their competitiveness.[4] The Act has significantly relaxed the regulatory measures of the Fair Trade Act, thereby limiting the concentration of wealth, and provides a four-level mechanism for preventing the abuse of fair trade regulations by large corporations.[5] The application of the Act is limited to large corporations in industries plagued with oversupply problems, and it provides the legal basis for refusing the authorization or ex-post cancellation of permission for business reorganization for the purpose of ensuring the succession of owners' wealth to their offspring. The Act also provides for the creation of a joint public-private committee tasked with reviewing the fairness of business reorganization decisions involving large corporations.

(2) Protecting SME-centered Industries against Encroachment by Large Corporations

In an effort to foster greater fairness in the market competition environment, the Korean government has set aside certain industries exclusively for SMEs, protecting them against encroachment by large corporations. Introduced in 2010, this program involves the Mutual Growth Commission reviewing proposed industries and reserving the selected industries for SMEs only, advising large corporations to avoid entering them. Unlike the Exclusive Industry Program, which has since been abolished, the new SME Indus-

4) Ministry of Trade, Industry and Energy (MOTIE) (2016), Press Briefing on the Special Act on Corporate Revitalization.

5) MOTIE (2015), Press briefing (December 9, 2015).

try Designation Program requires the commission to consult the private sector first. However, the decisions that the commission makes are advisory in nature only, leading SMEs to demand that they be given legally binding force. Although some worry that the competitiveness of industries set aside for SMEs could weaken over time, that the program might further reverse discrimination against companies of certain sizes, and that it may be difficult to ensure the rationality of the criteria used to designate the industries, the support for the program still outweighs the criticism, as it is crucial to limit the market-dominating influences of large corporations in order to strengthen the business environment for SMEs.

The Korean government also regulates the entry and expansion of large corporations into certain industries, such as the fishery and software industries. A good example of this is the Distribution Industry Development Act, which was inspired by the growing fear that large corporations would come to dominate the distribution market based on their superior purchasing and bargaining power. However, whether policies like these are actually effective in regulating the expansion of large retail corporations remains a subject of much controversy. Some support these policies, arguing that they limit the ability of large corporations to dominate the market and thereby ensure the protection of small vendors, while others oppose them, questioning the effectiveness of regulation and the adverse effects it could have on consumers' freedom of choice.

(3) Policies on Vertical Transaction Networks and Subcontracts

In general, subcontracts differ from vertical transactions due to the inherently unfair structure of the partnerships between large corporations and their SME suppliers in the Korean economy. The Fair Transactions in Subcontracting Act and Mutual Cooperation Act provide for four main types measures for mitigating the unfairness in such relationships. The first type of measure imposes a series of obligations on large corporations to eliminate the asymmetry of information and uncertainty facing SME suppliers, while the second type forbids certain acts by large corporations so as to prevent direct practices of unfair competition. The third type of measure firmly establishes the obligations of SMEs, serving as a mechanism for enhancing mutual trust between SMEs and large corporations, while the fourth type provides for the protection of technologies owned by SMEs. These measures prevent large corporations from taking unfair advantage of SMEs by stealing their technologies. To enhance the effectiveness of policies governing subcontracts, however, it is fundamentally important to reduce or eliminate the inequality between bargaining positions resulting from the market-dominating power of large corporations (Lee, 2009) while also enhancing the competitiveness of SMEs.

Chapter 6. Policy Recommendations

1. Policy Direction

One of the two major problems of the Korean economy today, aside from its stagnation, is that the existing structure of business growth is not serving its intended purpose. There are some who blame the Korean government's indiscriminate support of SMEs and excess regulation of large corporations for the current absence of an effective system that supports the growth of businesses of all sizes. However, the absence of such a system can be attributed to the lack of policies properly tailored to the different needs of firms of different sizes and/or the ineffective enforcement of such policies. Firm size-dependent policies, which have changed dramatically over time with the changes in the main economic concerns of the government, today feature both pro-growth measures for encouraging business activities and pro-balance measures for enhancing the fairness of market competition. Pro-balance measures aimed at improving the competition environment, however, bear no tangible results in the short term and require patience in their implementation. The Korean government, which has firmly believed in the trickle-down effect of supporting large corporations for decades, is especially prone to adopting pro-growth measures that produce tangible, short-term results. In the meantime, policy measures that have been introduced to mitigate polarization and protect SMEs are also now serving to limit competition.

Now that Korea, amid a period of protracted low growth, is inevitably transitioning into the age of the Fourth Industrial Revolution, it is crucial for the Korean government to formulate and articulate clear policy objectives in order to devise and implement consistent firm size-dependent policies. Such objectives should be determined not only in comparison with foreign cases, but by taking into account Korea's experiences in the past and economic practices. Unless the Korean government is ready to eradicate the problem of the general concentration of wealth in and corporate governance structure of large corporations that have distorted market competition in Korea, it may be best to maintain the current mixture of firm size-dependent policies. However, once the Korean government has decided on a new policy stance, it should design appropriate policy measures that cater to firms of different sizes and ensure their effective implementation.

2. Policy Tasks

(1) Designing an Objective Function for Different Policy Needs

There are multiple policy goals that the Korean government is trying to satisfy with its firm size-dependent policies for SMEs, including fair competition and the maximization of innovation by promising SMEs. The lack of unambiguous criteria for selecting beneficiary businesses as well as of a clear objective function, however, is leading to increasing confusion and inefficiency in policy implementation. The Korean government needs to solve this problem by, first, distinguishing between struggling SMEs that have been victimized by market failures and innovative SMEs that possess great potential for growth, and differentiating policy support accordingly. The central focus of SME policies may have shifted from protection to competition, but there are still many struggling SMEs that require protection in the market. If criteria related to innovation were used to evaluate and provide benefits for these struggling SMEs, the policy program would never work. Furthermore, the government needs to ensure sufficient differentiation among the Venture Enterprises, Inno-Biz Enterprises, and MAIN-Biz Enterprises, so that the support it provides for innovative and promising SMEs does not overlap.

To differentiate the recipients of policy finance, including bank loans, venture capital funds, private equity funds, and the KTCGF, the Korean government needs to expand the networks between industries and finance and serve as a more effective intermediary in the technology market. The government must also distinguish between SMEs capable of securing capital from private sector sources on their own and struggling SMEs that possess superior technologies, but require policy finance in order to commercialize them.

(2) Assigning New Roles to New Industries, Large Corporations, and SMEs

Since successfully acquiring Android in 2005 as part of its open innovation drive, Google has led Android to evolve into the globally dominant open platform for mobile devices that it is today. This case presents significant implications for fairer and more productive partnerships between large corporations and SMEs. Now that the restructuring of the manufacturing sector and emergence of new industries are raising the stakes in the battle over patents, it is no longer possible for even large corporations to keep up with the rapid pace of innovation based on their own resources alone. In the meantime, startups with innovative ideas continue to struggle in the capital market, as the ways in which they are able to generate returns on investment are limited. Initial public offering (IPO), an effective channel for securing returns on investment in innovative startups, takes 12 years on average to occur, while innovative startups manage to survive in the market for only 6.9 years on average. It is thus critical to foster an intermediate return market.

The first rule is to foster a market environment in which SMEs' technologies are traded fairly and SMEs can compete fairly against large corporations. If SMEs remain subjugated as the suppliers and subcontractors of large corporations, they will lose all incentive and motivation to pursue innovation, and merely develop technologies tailored to their corporate clients. It is therefore important to design mid- to long-term policy objectives and measures that involve the use of diverse mechanisms in the short term with the aim of fostering competition. The Performance Sharing Program, the Fair Transactions in Subcontracting Act, and other such programs have been introduced as transitional measures for strengthening the partnerships between large corporations and SMEs. However, it is also important to find policy measures that can motivate large corporations to embrace fairer and more mutually beneficial partnerships with SMEs.

The growing interest in the Fourth Industrial Revolution leads us to expect that platform companies possessing large volumes of big data will lead the future wave of innovation. As, SMEs are incapable of handling big data and developing platforms, large corporations are thus obligated to lead this innovation. However, a system should be established to allow SMEs to subsequently develop applications based on multipurpose technologies and open-source software. Fostering this mutually productive relationship would involve enabling SMEs to create accessible platforms and ensuring that large corporations do not exploit SMEs or deprive them of their fair shares of the profits. Now that the Korean economy is transitioning into a entirely new stage, the Korean government should serve as a more effective bridge of partnership between large corporations and SMEs, and continue engaging in social debates on the best and fairest ways to divide the roles and responsibilities between large corporations and SMEs in order to ensure Korea's sustainable development.