

Small and Medium Enterprise Policies in Japan and
ASEAN-Member Countries

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Preface

This material consists of 2 chapters.

I Small and Medium Enterprise policies in Japan

The summary of Small and Medium Enterprise policies in Japan is introduced in this chapter. It is organized with the aim to provide information which obtained from experience and know-how of SME policies in Japan and may serve as a useful reference for foreign countries trying to take measures for the promotion of SME.

At the compilation of this chapter, we received considerable cooperation from Professor Yuka Kaneko of The Graduate School of International Cooperation Studies (GSICS) Kobe University.

II Comparison chart of SME policies of ASEAN-member countries (Preliminary)

For purpose of comparison of measures and policies related to SME of 10 ASEAN-member countries including definition of SME, governing law and white paper on SME (annual report), we compiled them in table form based on literature and other data.

1. Brunei Darussalam
2. Cambodia
3. Indonesia
4. Lao PDR
5. Malaysia
6. Myanmar
7. The Philippines
8. Singapore
9. Thailand
10. Viet Nam

However, it is essential in the future to improve the contents of the SME policies comparison chart, seeking cooperation of the member countries through framework of SME working group in AMEICC (AEM-METI Economic and Industrial Cooperation Committee), of which JODC (Japan Overseas Development Corporation) Bangkok office is in charge of the secretariat.

Legal Infrastructure for the SME Promotion: Implications from Japan

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1. Introduction

1-1. Purpose

The purpose of this article is to draw out certain useful implications from the past experiences of Japan for the strengthening of legal infrastructure which is essential for the promotion of Small and Medium-sized Enterprises (SME) in Asia.

The reach of SME legal infrastructure to be discussed in this article can be generally explained in Figure-1 which gives the classification of major problem area often dealt in the SME related policies. First, a rough classification is possible between ‘problems caused as a result of the (overly) competition’ and ‘problems caused by the distortion of competition’¹. The former can be further divided into two mutually opposite situations, namely, the period of sustainable development where majority of SME related structural problems are naturally solved in the process of continued development and only such minimum requirements as limitation of financial access and/or shortage of manpower are the main target of policy consideration, and the period of structural recession where the policy interventions are called for rescuing far serious situations of SME sector as well as local societies. On the other hand, the latter problems caused by the lack of competition can be classified into the issues involved in the vertical transactional relations (such as abuse of economically superior power by a parent company in a vertically integrated production and/ or retailing network) and the issues emerging in the horizontal relations in the market (such as an abuse of market-controlling power by a dominant company in a certain commodity market).

Central policy measures frequently utilized in SME policies driven by Japanese government can be categorized according to the major problem area as shown in the right column in Figure-1². During the high development period, in addition to the basic macro economic policy to ensure the sustainable growth, the government often went with minimum interventional measures to reduce such bottlenecks for SME growth as shortages of financial access. Though calls were often heard for governmental rescues to revive specific industries rapidly losing international comparative advantages, those needs were basically considered to be fulfilled in a structural changes caused in a natural course of economic growth. However, when the problem of lost competitiveness of industries became serious enough to reach the level of a social problem, more interventionist measures were called for. On the other hand, as for the problems caused by the distortion of market competition, though the rigorous application of the

¹ See Teraoka, K. (1996) *SME Policy in Japan*, Yuhikaku, p.5 (in Japanese).

² Kurose, N. (2006) *SME Policy*, Nihonkeizaihyouronsya, p.77 (in Japanese).

Anti-Monopoly Law (=competition law in Japan) must be the first measure to be considered, occasional political movements initiated special laws in such area as protections of sub-contracting companies against the exploitation by parent companies, restrictions of large commodity companies' market entry, and general restrictions of large corporations, especially in a socio-political situation where people cannot have a full trust on the reach of Anti-Monopoly Law's implementation. As to the role of vertical integration for production and/or retail networks, while the notion to deem it as a social evil to cause the problem of dualistic disparity between the parent and the subsidiary or sub-contracting companies has been widely held, the government used to intentionally make use of such integrations as a mean to integrate SME sector into the development strategies.

While all government-initiated measures as above are understood as tools of the SME policy in a narrow sense, it is also important to see the SME policy in a more holistic view so as to give a due respect for major aspects of the fundamental legal infrastructure in the market transaction, namely, competition law, commercial transaction law, corporate law, debt-recovery law, labor law, intellectual property, etc. This article recognizes that those aspects of holistic legal infrastructure played crucial part in the past experience of Japan, and tries to draw essential lessons for the establishment and improvement of SME's legal infrastructure in Asia.

Figure-1 : SME Policy Tasks and the Measures

Area of Problems/Tasks		Measures
Problems cause by overly competition	During sustainable growth : • Financial access etc. • Rescue of specific industries	Sustainable macro policies Stable Market infrastructure Financial Access Organization/ Rationalization
	During recession : Structural reform of specific industries or regions	Organization/ Cartels Rationalization/ Information Subsidies/ Soft loans
Problems caused by distorted competition	Vertical transactions : Dual structure; Keiretsu; Shitauke.	Special law as Shitauke control. Integration into the Industrial policies.
	Horizontal transactions : Harmonization with the large corporations	Anti-Monopoly Law Special Law to restrict entries of large corporations

1-2. Framework to Understand the Legal Infrastructure for SME Promotion

Based on the above classification of major problems and measures for SME promotion policies, then, the next step to be taken is to set a methodological framework for better understanding of those problems and measures. This article tries to introduce a framework of different legal designs as shown in Figure-2, which was proposed by Pistor and Wellons (1999) in their introduction of so-called 'Convergence Theory' which is becoming popular in the international academic field of 'Law and Development Studies'³.

The 'Convergence Theory' is a hypothesis formed on the base of certain empirical studies done by authors in Asian countries including Japan, assuming that the legal system in Asia is in a common process of 'convergence', starting from the first stage of state-controlled discretionary legal system (stage-A in Figure-2), via the second stage of state-controlled but transparently detailed legal system (stage-B in Figure-2), via the third stage of market-controlled detailed legal system (stage-C in Figure-2) and up to the final stage of market-based discretionary system, which corresponds to the most sophisticated capitalist model of Anglo-American countries (stage-D in Figure-2). The author is highly skeptical about their conclusion on the 'convergence', but finds their framework in itself quite useful for the purpose of observing changing process of legal system, and therefore tries to apply the same framework in understanding the process of changes of legal infrastructure for SME promotion.

In short, the framework, in its horizontal axis, observes whether a legal system is based on a market-based economic management or a state-led economic management: or the axis is to see the trend of 'Liberalization'. On the other hand, the vertical axis of the framework observes whether the legal system is transparently designed with detailed enough mandatory provisions or it is discretionary designed with less mandatory provisions: or the axis is to see a legal system in its stance toward the 'Deregulation'. In the current changing days of the 'Globalization', international pressures to force the systemic changes especially in the vertical axis of 'Deregulation' from the top to the bottom are increasing. When these two axis and the four dimensions formed by these axis are applied to the historical process of SME legal infrastructure in Japan, it might give us a new observation to understand the true nature of Japan's experience. Also, it might help us to express our lessons outward especially for the sake

³ See Pistor, K. & Wellons, P. (1999) *The Role of Law and Legal Institutions in Asian Economic Development*, Oxford University Press. This 'Convergence' theory was developed under the sponsorship of the Asian Development Bank (ADB) and its result has provided a theoretical justification for the succeeding 'lad and development' projects directed by the ADB.

of Asian countries which have eager intentions to learn from Japan's past. Of course, this kind of methodological framework is not in itself a complete one and always needs continuous improvements in order to better express what we have learned from our past.

In the following, first, the section 2 reviews the trend of legal changes for the government-led SME policy measures in a narrow sense. Then, the section 3 observes more holistic changes of the legal infrastructure for market transactions, with special stress on financial law, corporate governance, competition law, labor law, and the trade promotion. The section 4 gives eyes to the trend of policy choices of international development agencies and also touches on an alternative stance observed in the recent policy choices among 'transition' economies. Finally, the section 5 will give a summary while trying to draw a tentative conclusion on the true nature of 'Japan Model'.

Figure-2 : Framework to Recognize Policy Choices of Legal Systems in their Stance toward Liberalization and Deregulation

	(Market)	← Liberalization ←	(State)
Detailed Law ← Deregulation Free Contract	<C> Market-based Detailed -rigorous competition law -detailed commercial law		 State-led Detailed -SME policy-led financing -organization -protection of subcontractors -business restriction by Registration system
	<D> Market-based Discretionary -deregulation -information disclosure		<A> State-led Discretionary -subsidies -public procurement -business restriction by permission system

2. Historical Changes of Legal Basis of Japan's SME Policy

2-1. Meiji Modernization to the WWII

Japan's SME sector is considered to have emerged since the late Meiji modernization era especially in the economic boom after the Japan-Russian War. Taken its original base from pre-modern manufacturing industries in Edo era, entrepreneurs had gradually accumulated their capital base in both internal and external trade by the time. It is understood that the SME policy had also started as the same as the formation of SME sector. The over-competitive nature, as well as the low quality of products, had been considered as the most serious structural problems in the SME sector, and thus had been the target of SME policy measures in these earliest days, including the technological guidance and some initiatives for the organization mainly exercised by the Ministry of Agriculture and Commerce. Among all, such initiatives for the organization as the association of same industries ("Principles of Associations among the Same Trades" in 1884 (Meiji 17), "Law on the Associations among the Major Exporting Trades" in 1897 (Meiji 30) etc.), the cooperatives among industries ("Law on Industrial Associations" in 1900) and the association of major exporting industries ("Law on Association of Major Exporting Industries" in 1925) were the most stressed, which reflected the basic strategy of industrial promotion policies in the days.

Initial forms of financial assistance were also tried in these early days, including soft loans provided by the public deposit operation unit of the Ministry of Finance for exporting SMEs during post WWI recession, operation capital financing during the Showa depression, two-step loans via credit unions, etc. Also, the establishment of the "central credit corporation for commercial and industrial associations (Shoko Chukin Bank)" in 1936 (Taisho 11) is another important incidence, though its operation was not very active due to the economic control under the wartime regime.

During the wartime, worth mentioning was the promotion of vertical networks of sub-contractors (Shitau). Since the strengthening of war industries was a crucial policy target, selected SMEs were directed to be integrated into war supply conglomerates and/or state-owned munitions factories by way of such policy measures as public guidance, subsidies, technological supports, which prepared the basis for the succeeding post war SME policies in Japan.

2-2. Post War Period of Economic Democracy

In the early stages of occupation period after the WWII, the basic policy of the general head quarter (GHQ) of the allied forces tended to be democratic in its economic

management, as shown in the typical example of the introduction of “Anti-Monopoly Law” in 1947, which constituted the fundamental base of the SME policy in the same period. All the interventionist measures during the wartime were suspended, while only minimum responses were tried in some organization projects making much of entrepreneurs’ own initiative as well as provision of technological information or managerial guidance in response to increasing social calls for emergency rescue.

However, since the establishment of the “Agency of SME” in 1948, a gradual shift had been resumed toward an integrated SME policies including (i) institution building for SME support, (ii) financial assistance, (iii) organization, and (iv) rationalization. Among others, the institution building was given the most stress, especially because the GHQ at that time was not positive about financial supporting system which might require a large budgetary support.

Rather, the progress in the financial supporting system was later followed when the “Public Finance Company for Reconstruction” (established in 1947) initiated a SME financing budget, in together with the introduction of SME financing system drawn from the reserves of the national treasury. Apart from these tentative measures, more fundamental institution building were later made with the establishment of the “Peoples’ Finance Corporation” in 1949, the introduction of direct financing for members by the “Shoko Chukin Bank” in 1951, and the establishment of “SME Finance Corporation” in 1953. The ‘credit insurance system’ first created in the pre-war period was also revived and prevailed nationwide by the time.

As for the ‘organization’, because of the criticism against the “Law on Commercial and Industrial Cooperative” introduced soon after the war, saying that the Law was ending up with the increased interventionist industrial integration against its original intention to pursue the economic democracy, a substituting legislation of “Law on SME cooperatives” was adopted in 1949 with some idealistic operational goals. However, once the Korean War started a new conservative political environment as well as the counter recession soon after the war, calls for the governmental initiative to lead a rationalization or production adjustment had increased in the SME sector. The adoption of “Law on the Tentative Measures for the Stabilization of Specific SMEs” in 1952 was a response to such calls, which was soon remade in a permanent legal form by the adoption of “Law on Stabilization of SME” in 1953. It should be noted that the year of 1953 was a turning point in the Japan’s SME policy in the sense that the total economic law system, including among all the “Anti-Monopoly Law”, were revised toward a discretionary way to admit governmental interventions, which prepared for the days of controlled SME policies to come. It is a well known that all these drastic

policy changes from an idealistic democracy to an interventionist was a result of the sudden shift of GHQ's basic occupational policy towards more conservative in response to the international political environment in the days.

2-3. High Economic Growth: Days of Industrial Policy

The period of high economic growth in Showa 30s-40s (1955-1970) was also known as the days of Industrial Policy sustained by the tripartite alliance among politicians, bureaucrats, and the business circle. The SME policy during this period also had a clear tendency to be deeply integrated into occasional industrial policy slogans such as 'modernization and rationalization', 'strengthening of international competitiveness in responding to the trade and capital liberalization', and/or 'sophistication of industrial structure'. In terms of legal basis, adaptation of two important laws, namely, the "Law on Promotion of Modernization of SME" and the "Basic Law on the SME" represented such basic interventionist nature of SME policy in these days.

Especially under the pressing need of strengthening the international competitiveness to respond to the trade and capital liberalization, it was considered to be the inevitable task of SME sector to modernize the production system so as to gain the competitiveness. Major policy measures introduced during the period for the 'modernization and rationalization' purposes centered on financial supports or subsidies and/or tax incentives, based on the "Law on the Subsidies for SME Promotion" in 1956 and the "Law on Tentative Measures for SME by Sectors" in 1960, and the "Law on Promotion of Modernization of SME" in 1963.

Besides, the "Basic Law on SME" in 1963 put the most stress on the policy task of structural improvement, to be broken down into such specific policy area as modernization of equipments, technological improvements, managerial rationalization, scale merits, organization for the business partnerships, transformation of business sectors, trainings of employees. The Law also gave the equal stress on the elimination of the gaps between the large corporations and the SMEs, which were paraphrased into such specific targets as improvements of over-competitive nature, optimization of sub-contracting relations, optimization of business chances, increase of public procurement, etc. Major policy measures expected as tools to achieve these tasks included financial supports, tax incentives, and organization policies as shown in the establishment of the cooperatives system among common industries since 1967 and/or the establishment of "Association for the SME Promotion (Chu-sho-kigyo-jigyodan)".

Among all these policy tasks and measures, generally speaking, the modernization policy was given more stress with full utilization of financial supports, tax incentives

and organization policies, while less drastic measures were taken for the task to eliminate the structural gaps such as over-competition and sub-contracting problems, where, instead, only such allopathic measures as the “Law on Prevention of Payment Delay in Sub-contracting” in 1956 were preferred. It might be one way of understanding that, though the problem of gaps between the large corporation and the SME, or the ‘dual structure’ problem, was hotly debated in the society, the basic policy stance held by the government of the day was such as rather intentionally integrating the SME sector into the industrial production networks in order to create the international competitiveness of each leading industry as a whole.

2-4. Post High Growth: Days of Policy Guidance

In 1970s, Japanese economy was suddenly hit by the Dollar-Shock as well as the Oil-Shock while having agony in seeking way out of serious pollution problems spreading nation wide. It was strongly needed to reduce the dependence over the once successful exporting strategy based on imported materials and their skillful processing, the government repeatedly introduced occasional policy slogans such as ‘intellectual concentrations’, ‘strengthening of information’, ‘internationalization’ and/or ‘integration’ etc., and the SME policy was also in amid of this stream. Although these policy slogans were substituted for each other according to the trend, the very basic structure of SME policy since the “Basic Law on SME” was not largely changed, while the core decision-makings on the policy measures are provided by such a top level of the policy-making hierarchy as the Counsel of Industrial Structure and/or the Counsel of SME Policies, and then prevailed over the individual level of SME sector through multiple channels of vertical guidance-and-receptive system either in administrative stages and/or industrial associations. There are both positive and negative thoughts on the question whether these SME policies directed by the government was beneficial for the SME sector. While there are opinions highly appreciate the role played by industrial networks featuring the sub-contracting (shitauke) relations in achieving the high growth period and the long continued sustainable development thereafter, there are also strong criticisms based on the observation that the sub-contracting relations were only beneficial for the large parent companies of big brand names who could achieve competitiveness and sustainable profitability at the expense of SME sector. Especially in the strong-Yen days in late 1970s as well as in the revived more drastic strong-Yen period since middle 1980s, the prices per production unit received by the sub-contractors went down repeatedly under the pressure from the big brand companies who intended to ensure the profit level in the amid of increased costs of

importation and decreasing exports. Further in 1990s, in the oversea investment boom among big brand companies, sub-contractors were forced to adapt to the competition with local cheap supplies from such oversea markets. All these facts might seem like providing evidences for the opinion that the SME policy led by the government was always directed for the interests of brand companies and that the interests of the SME sector were often neglected in order to help the big brand names to survive.

On the other hand, apart from these issues relating to vertical relationships between the large brand companies and the SMEs, horizontal relations among large retailers and the SMEs was another hotly debated area, especially since the Oil-Shock in 1970s when the consumers' movements were in full swing. Major incidents involved law reform includes the "Law on the Adjustment of Business Activities of Large Retailers" in 1973, the "Law on the Adjustment of Business Activities of Large Businesses for Ensuring Business Chances for SMEs" in 1977 and the amendment of "Anti-Monopoly" in 1979 including the strengthening of penalties over infringements.

2-5. General Overview

In trying a general overview of the above mentioned trend of tasks and measures taken in the past SME policy in Japan, it might be a way to make our understanding clearer with such analytical framework as proposed in Section 1-2. above. In early post-WWII period, the basic stance of SME policy did not depend on interventionist measures and respected the role of idealistic application of the Anti-Monopoly Law, which could find its position at around (C) in the framework shown in Figure-2, representing the Market-based transparent application of law. On the other hand, in the days of Korean War and the succeeding international political tension, the occupation policy shifted to the conservative, and accordingly, in contrast to the shrinking application of Anti-Monopoly Law, more active interventionist measures were started to be seen in order to improve the weaker position of SME, especially via establishment of institutions for SME financing as well as organization policies, which could be understood as the shift from (C) position to (B) position if the Figure-2. is to be considered. Further, during the high growth period in 1950s to 1960s, the adjustment of SME's weaker position was no more of a central consideration, but rather the positive recognition and utilization of SME's very dependent situation in nature was a basic stance in designing the policy measures dedicated for the task of improving the international competitiveness and achieving sophisticated industrialization all directed to the ultimate goal of national growth, as represented in the fundamental provisions given in the "Basic Law on SME" in 1963, which is considered to be a shift from (B)

position to (A) position as shown in Figure-2.. During dramatic changes of economic environment in 1980s-90s from the end of high growth, to the bubble economy and its bust, and finally to the days of continued recession, although various policy proposals were made for the SME sector one after another, they were not effective enough to block such hard consequences for SMEs as the closure of transaction caused by shifts of major factories of the brand companies to oversea production, enable to pay for borrowings and rigorous debt-collection as a result, and final liquidation or bankruptcies. The basic color of law system is no more an interventionist, but rather a rigorously enough application of Market rules (C's position in Figure-2), and even much more deregulation is anticipated in these days for the sake of expanding freedom of largest corporations (D's position in Figure-2).

It must be too much easy-going if we are only to stress the role of government-led SME policies and related law-making experiences from among various other lessons to be drawn from the Japan's past. If we insist that the essence of the 'Japan Model' under the regime of "Basic Law on SME" is in the structure where the large brand companies enjoyed competitiveness and profitability at the expense of SMEs both in high growth days and in recessions, it might be too thin. If we are to say that the role of law during the rapid developing process is in giving procedural justifications for the government-led interventionist measures, and that the law should ultimately be changed from such interventionist design to the Market-led deregulated design at the very final stage of the development achievement, we might be blamed as a 'legal instrumentalist' who neglects the need to observe the legal system as an actively operating whole. Provided that there is an alternative view to see the SME policy in Japan as a balanced combination of the fairly competitive capitalist market infrastructure and the government measures meant for optimizing the effect of market infrastructure rather than neglecting it. In the following section, we need to give consideration to a wider range of law, including not only the administrative regulations but also civil and commercial law area covering various other aspects surrounding SMEs than industrial policy concerns.

3. Holistic Understanding of SME Legal Infrastructure

In this section, in order to observe a holistic legal infrastructure to support SME, several major legal areas have been chosen to represent the actual environment indispensable for SME activities, namely, financial law, corporate governance, competition law, labor law and skill promotion, and law on trade promotions.

3-1. Financial Law for SME

As SMEs have limited chances of offering in the equity market or otherwise receiving large capital investments, in contrast to large corporations, they are naturally tended to seek borrowings from financial institutions. However, the banks' lending was often directed to the large-scale borrowers with lesser risks and more cost-performances, and accordingly, SMEs experienced continuous difficulty in getting enough borrowing, especially when they do not have enough properties for the security purposes unless assuming high interest rates. Such gaps on the financial access between large corporations and SMEs had always been a major problem in Japan's high growth period. However, after the end of the high growth period, financial institutions became eager to lend more to the SME sector in order to make up the decrease of lending to the large corporations, which became a more explicit trend after strong-Yen period in the middle 1980s when the large corporations developed variety of equity financing channels and no more stayed in the long-term contractual relationship with specific financiers. Such lending boom to the SME sector often caused an over-lending problem, which led to the serious problem of non-performing loans especially during the financial structural reform after the collapse of bubble economy, when the bankers all the sudden turned from rolled-over lending to rigorous debt recoveries which could not help but caused serious social consequences in the SME sector, such as numerous insolvencies, rejection of lending, problems of selected interest rates.

If we are to draw lessons from these experiences of SME financing in Japan, one of the major lessons must be the role of public policy lending institutions, and another must be the role of local private financial institutions such as the regional banks, the local banks of the second category (former 'mutual loans and saving banks'), the credit associations, and the credit unions, which have been supported by such indispensable legal infrastructure as debt-collection laws (including secured transaction law and insolvency law) as well as credit guarantee systems.

As for the policy-based lending institutions, as mentioned above, "Peoples' Finance Corporation" was established in 1949, direct financing for members was started by the "Shoko Chukin Bank" in 1951, and the "SME Finance Corporation" was established in 1953. The share of cumulative amount of lending by these policy-based lending institutions in the aggregate amount of lending to the SME sector by all financial institutions has continuously been around 10%, which implies a stable role of these institutions functioning as the last resort even in the difficulties of financial access by SMEs, apart from the so-called 'pump-priming' effect to direct private sector financing toward SMEs.

On the other hand, a majority in the aggregate amount of lending to the SME sector has been shared by local private financial institutions, including the regional banks (around 20%) and such other small and medium-sized financiers as the second category local banks, the credit associations, and the credit unions regional banks (30-40% in total). The basis which sustained this consistent role played by these local private banks is considered to be, for one thing, the quality of credit analysis backed by profound knowledge on the reality of local industries, which was developed via harsh competition in the local financial sector having no choice but seeking profits in exchange for assuming credit risks of local industries. This risk taking by local private financiers might not be possible if not for such legal infrastructure for debt-collection as the security transaction law and insolvency law, as well as such public supports to mitigate the financial risks as the local government-led credit guarantee associations (based on the “Law on Credit Guarantee Associations”) and the “Insurance Corporation for SME Financing” established in 1958 to provide reinsurance for the credit guarantee associations.

Nowadays, there are several momentum among Asian countries to introduce certain policy-based lending institutions meant for SME financing and/or some credit guarantee systems. However, it is also true that majority of these new trials tend to accompany such negative consequences as the promotion of irrational lending drawn by connections and/or the enlargement of non-performing loans. Perhaps, the mere transplantation of institutional formality which Japan had in the past is not enough for the purpose of drawing something out of Japan’s experience. Rather, a more holistic approach is needed to reconsider and recreate the total environment which made the formalistic institutions actually workable, such that promoting projects to strengthen the capacity of credit analysis, enhancing the financial competition, developing debt-collection laws, and creating an arm-length supporting relationship with local government. Taking the debt-collection law for a instance, there are many points to be reconsidered for further improvement: such as a tradition in Asian financial custom that a certain specific financier concentrates almost all possible properties of a debtor for security purposes, which has been a cause of the problematic dependency on the security interests and a neglect of importance of the credit analysis as a result. Also, the insolvency law is another area full of issues for improvement including the question whether the recent tendency to restrain the autonomous decision making power of creditors while making much of the rescue of debtor⁴.

⁴ See Kaneko, Y. (2004) *Asian Crisis and the Financial Law Reform*, Shinzansya, 2004 (in Japanese) in Chapter II & III; Also see APEC Strengthening Economic Legal Infrastructure Coordinating Group, Japan (2003) *2003 Study on Debt Collection Litigation/Arbitration on APEC Economies*

3-2. Corporate Governance of SME

The essence of the competitiveness of SME in Japan is often attributed to the leadership of the owner-manager of privately-owned or family-owned companies, with such positive effects as the quick decision-making as well as the family-like relationship among the employees which could create a cooperative moment for innovations. However, in the same time, such a family-like management system has its limitations including especially the limited access to the market and the latest technological information as well, which often make the SME owners to come into the dependent relationship with big brand companies which can secure the market and provide the newest technologies. Of course, such a dependency cannot be eternally stable, and the SME owners need to be always prepared for a risk of changes of relationship in such situations as a voluntary termination of sub-contracting relationship wishing to get out of unreasonable exploitations by the brand company, or as a sudden termination unilaterally imposed by the brand company which decides to go out for oversea production sites. Accordingly, the SME has to have an independent and strong enough corporate governance so as to prepare for every sudden changes of business environment. Then, what are the essential elements of such a strong corporate governance?

It is often considered to be one of the important tasks of the Company Law to devise and provide at least minimum mandatory provisions effective enough for strengthening the management oversight system in a private company controlled by the owner-manager. For example, the mandatory disclosure of audited financial statements at the head office in a way accessible at least to all shareholders and creditors is an effective basis to introduce third parties' watch over a closed company which assumes no other effective chance of disclosure at the market-side or at the official registration office. Also important is the mandatory provisions to protect minority opinions in the procedures of the general shareholders meeting such as the optimization of proxy, the special resolutions, and the preemptive rights of dissenting shareholders. The substantive and procedural provisions on the management liability are also important. In addition, there must be many chances of inventing and designing in various provisions while taking hints from such typical mechanisms utilized for larger corporations as the independent directors or independent auditors invited from the outside, and/or the model of collective decision-makings involving the workers, all in sought for better effective governance.

On the other hand, recently, a call for 'deregulation' is gradually increasing a strength in the area of Company Law, claiming that natural customs in the market-side will

bring about the best efficient results and that the mandatory provisions in the law might hinder them, especially in the case of SMEs⁵. Though the author does not believe that the role of the Company Law to be minimized, in fact of the Japan's economic reality, the most effective oversight mechanisms on the SME management are considered to be such non-Company Law institutions as the licensed tax accountants, the SME analysts, and the credit analysis from the banks. It is observed that the formal legal institutions under the Company Law in not in itself workable, and rather can produce effective results only when work in together with the customary tradition in the real economy. Even such major Company Law institutions as the minority shareholders' rights and/or audited disclosures are not in itself workable if not for the customary contexts such as the cross shareholding traditions (mochiai) and/or the mutual credit extensions (Urikake-Kaikake) among daily transactional relationships. Even though a normal owner-manager of SME has a natural tendency to neglect such legal obligation under the Company Law as the precise disclosure of audited financial statements and/or the procedural requirements in the general shareholders meeting, the same owner-manager becomes serious when he is asked to disclose information or to follow the mandatory GSM procedures by such influential parties as the tax accountants, the SME analysts, the creditors, and the daily business counterparts, as he sincerely recognizes the need of these partners.

Especially after the Asian Crisis, there are quite a few initiatives observed among Asian countries to try copying the Japan's past experience of institution building such as the certified tax accountant system (Thailand) and the SME analysts system (Thailand and Indonesia, etc.). The evaluations on their effect are divided: some appreciate the unexpectedly speedy prevalence of these institutions; others criticize the low standards and superficial qualities of certification. Perhaps, a mere partial transplantation of an institution would not be able to bring about effective corporate governance effect, and a holistic approach must be needed to consider the way how each institution is being integrated with the existing customary tradition. For example, in order to introduce an effective enough certified tax accountant system, the tax administration system itself must be first improved in order to create strong enough motivation for the SME owners to seek the professional helps of the tax accountant in responding rigorous pressure of the tax administration. Also, a creation of the competitive enough market environment must be a first priority precondition for making the SME owners realize the serious need of check by the SME analysts and/or oversight by the business counterparts. It is often in the case that these preconditions

⁵ See, for example, American Law Institute (1996) "Uniform Limited liability Company Act".

are not easily met in Asian countries because of the low quality of administrative management and/or the oligopolistic economic regime lacking proper competitions. When such a holistic view is held, it might be realized that an institutional reform has to be started in together with the improvement of such fundamental infrastructures as the drastic civil servant reform and/or the creation of competitive market.

However, this emphasis on a holistic consideration does never imply the decreased role of the governance organs under the Company Law. The trend of 'deregulation' prevailing around the advanced countries, especially for the unlisted or closed companies, should not be equally applied to a developing economy where the share and the presence of non-listed companies in the national economy are undeniably high. The role of the law to guide the adequate directions for the SME's corporate governance is considered relatively high. Especially, given the problematic tendency of the dependence on the administrative control in the typical law designs in most Asian countries, regardless of their often limited capability in the proper application of administrative regulations, the need to improve the legal infrastructure for utilization of the moments in the commercial market is large. The oversight mechanisms both in and out of a company's market activities can be much effective than the operation of administrative control. The past experience of Japanese legal development can tell quite a lot of hints for such purposes, including, especially, the role of 'auditors' having wide authorities to oversight the propriety of management (in contrast to common law auditors having authority to review mere accounting matters), the role of such stakeholders (or 'residue claimants' over company's assets) as creditors, workers and/or the daily business partners who share crucial interests on the company's long-term stable existence (in contrast to the minority shareholders who tend to have only short-term profit-making interests even at the expense of company's stability), as well as such detailed designs of both substantive and procedural legal provisions to materialize the stakeholders' chances to oversight as the access to disclosure, their right to intervene into the important decision-makings (e.g. the creditors' right to dissent to major company changes; or the participation in the GSM or in the Board of Directors in the status of minority shareholders), their right to sue the management liability in case of their infringement of responsibilities to the company, etc.

3-3. Industrial Organization and Competition Law for SME

There are varieties of dimensions in the relationship of the SME policy with the competition law, which calls for deliberate considerations to differentiate them each other. As shown in Figure-1 in the section 1-1, we are to differentiate the problems

caused as a result of market competition and the problems caused by distortions of competition. For the former, one of the typical dimensions involving the competition law is the cartel exemptions meant for the rescue of over-competitive industries and/or the industries in structural difficulties. For the latter, we can further differentiate between the problems resulted from the vertical relationship in production and/or retailing networks where a big brand company can control a superior position against the SME sub-contractors, and the problems resulted in the horizontal relationship between a large corporation having chances to abuse its market controlling position and the SMEs.

Among all, Japans' past experience in 1950s is well known among Asian countries, in that the Ministry of International Trade and Industry (MITI) lead a policy to make full use of cartel exemption laws for the purpose of achieving the organization policy to rescue over-competitive industries and/or the industries in structural difficulties. Actually, majority of Asian countries are turning very active in newly introducing the respective competition law, but most of them have established their competition law implementing agency under the direct control by the ministry in charge of industrial or commercial policy-makings, which implies that their genuine intention is in the utilization of the competition law as another tool of industrial policy rather than in the pursuance of economic democracy⁶. These countries with such an interventionist intention are inclined to look back Japan's experience in seeking for tactical know-how to utilize the competition law for the purpose of industrial policies.

However, if we are to review an accurate historical process in Japan, it has to be remembered that the Fair Trade Commission (competition law implementing agency) has always been independent from the ministries in charge of industrial policies. Even during the so-called "winter period" of the Anti-Monopoly Law in 1950s when the MITI's promotion of cartel exemption laws was in its peak, the draft Anti-Monopoly Law amendment aiming at enabling the line ministries to concentrate the authority to admit the cartel exemptions was continued to be blocked, and thus the authority of FTC to protect the Anti-Monopoly Law regime was sustained. Further, it is worth-while to mention the uniquely detailed and transparent substantive contents of the Anti-Monopoly Law and its implementing guidelines in Japan, in contrast to its

⁶ Thailand's "Trade Competition Law" in 1999, Singaporean "Competition Act" in 2004, and Vietnam's "Competition Law" in 2004 are the examples of such discretionary and dependent structure. Even the final debate on the long waited China's Anti-Monopoly Law is in a deadlock because of this choice of administrative structure. See Kaneko. Y.(2007) "Overview of the Vietnam Competition Law in 2004" in *Fair Competition*, 2007 April edition.

counterparts in US and Europe, which must be a result of FTC's defensive tactics developed against the repeated contests from the MITI and other industries trying to minimize the extent of competition law applications for the sake of flexibility in the industrial policies. In this sense, Japan is not simply a typical example of the "Developmental State" or the "East Asian Miracle". Rather, it is an official explanation often provided by the Japanese government itself in such a formal forum as the WTO's Working Group for Trade-related Aspects of Competition Policies, that the competition policy of Japan has always been struggle for establishing a free market competition and that even the industrial policies led by such influential ministry as MITI have always been possible within a harmonious reach of interpretation under the basic framework set by the Anti-Monopoly Law.

It must be against an ordinarily held notion among the Asian policy makers but the very basis of the Japan's SME policy has been made up of a 'balance of power' between the industrial policy and the competition policy, whether the over reach of the former has been restrained by the logics of the latter. If the analytical framework in Figure-2 above is reviewed, while on the other hand the recent trend of advanced countries is apparently going for the 'deregulation' of (D), the majority of Asian competition law are directed to the choice of discretionary intervention of (A), as if deeming it a shortest cut to jump from (A) to (D). Japan's experience would be attributed neither (A) nor (D) but understood as a continuous endeavor toward the choice of (C) with transparent basic market rules sustained in harmonization with occasional minimum policy considerations. A lesson from Japan could be that the shift from (A) to (D) would not be so easy if not for once going through the endeavor of liberalist legal infrastructure building of (C).

On the other hand, as for the problems in the vertical transactional relationship such as sub-contracting or retail networks, the Anti-Monopoly Law has been providing certain rescues for them, apart from the introduction of special laws meant for the mitigation of individual problems during the days of industrial policies. It is considered as a unique aspect of Japan's competition law application on the vertical relations that it developed a theory of "abuse of the superior transactional position" in the area of restriction of unfair transaction, based on the economic reality where the major brand companies making full use of the sub-contracting.

As for the problems in the horizontal relationships, as mentioned above, though the enactment of certain special laws to restrict the market control by the large retail corporations was a central measure taken in response to the political movement in 1970s, also to be remembered is the role of the Anti-monopoly Law with its restriction

on the abuse of market dominant position and/or provisions on the trust. In fact, the amendment of the AML in 1977 to strengthen the penalties was one of the results of the political pressure in the days. Coming back again to the framework of Figure-2, the choice is between the interventionist entry controls over the large corporation via the permission system or the registration system (choice of (A) or (B)), and the abuse-base restriction within the framework of competition law (C). Nowadays, there is an increasing implicit or explicit argument among Asian countries as to the utilization of the competition law as a tool to restrict the intrusion of foreign large retailers into the local commodity markets under the pressure of service liberalization of the WTO/GATS. Because the general restriction over foreign large retailers is basically impossible under the GATT's fundamental principle of National Treatment, without extending the same restriction equally over the local big corporations, it is understandable that the chances are sought for a selective application of the competition law. However, an important lesson from Japan could be that the competition law can attain its goal to create a truly competitive environment in the market only when its provisions are applied fairly and equally, and that any intention of selective applications could result in the continuation of market control by the local oligopolies which hinders the free entry and business expansion of the SMEs. In short, an essential lesson for Asian countries on the role of competition law in the SME policy in Japan must be a need of detailed guidelines to secure a fair and transparent application of the law, rather than its utilization as a tactical basis for discretionary interventions.

3-4. Skill Formation and Labor Law in SME

In the area of labor-related issues in the SME sector, the most serious problem has continuously been debated is the unsolved gaps between the large corporations and the SMEs on such fundamental conditions for workers as wages, working hours, welfare and security standards. So-called problem of "double standard" has long been there since 1950s accusing that the SME sector has been deeply integrated into the structural exploitation by the large corporation. On the other hand, those who believe in the positive economic effects of such industrial networks as Shitauke and/or Keiretsu have repeated the logics to oppose to such accusation by featuring an observation that what seem like a gap of working conditions between the large companies and the SMEs are in fact mere numerical results of such other difference related to individual workers' nature as the educational background and the sex, and that the "double standard" issue has long been extinguished. However, against these logics of justifications, there are opinions questioning the very fact that the workers with the weakest nature (having

less educational background, late-coming employee, and/or part-time workers) have been concentrated to the SME sector. In other words, the industrial structure as a whole, which has been sending the workers of the weakest trade conditions to the SME sector and treating them with the lowest labor protection standards, is being considered as one of the fundamental bases of structural gap. Especially during the strong-Yen period in the middle 1980s and the long-lasting Heisei recession period to follow, it has been an apparent trend that the SME sector concentrates the part-time workers, and that the wage level of these workers are almost as low as the legal Minimum Wage level. Apart from the wage issues, there has been almost no progress on the shortage of working hours and/or the extreme gap of welfare and security conditions between large companies and SMEs.

However, the legal standards set in the Labor Law in itself have not been designed so as to respond to such gaps. The role of capitalist Labor Law is considered nothing more than to set the minimum standards such as the principle of equal treatment (e.g. the same wages for the same works) and/or the minimum wages. The task to increase the working conditions beyond such minimum standards is considered to be attained in the dynamic process of labor negotiations, rather than by the law. In this sense, in order to consider the optimal legal infrastructure for labor protection in the SME sector, it is not enough merely looking into the formal standards set by the Labor Law, and it is crucially important to check the actuality of labor rules and customs as a whole, including the legal basis to secure the labor negotiations, and the labor contracts and/or customs both formally and informally negotiated and applied, as well as the labor court judgments which can give a chance to make the informally negotiated labor customs formal to be protected under the law.

From this viewpoint, the limited reach of the labor unionization is considered as one of the serious causes behind the less protected working reality in the SME sector. The labor movement in Japan was active in 1950s-60s when the leading national centers were integrating the SME sector and negotiated rigorously in sought for such concrete targets as an expanded application of the monthly-payment system and the life-long employment, which enabled the so-called phenomenon of “making the blue collars’ conditions equal to the white collars”. However, after the end of high growth period up until now, the role of industrial labor unions has not been as much active as before, and the consensus at the national centers seems gradually turning to a conservative one representing the interests of formal employees in the large corporations which are, as a result of ‘globalization’ increasing its superior position in the labor negotiation having various options for the shift of production sites in oversea. Accordingly, the labor

unions have not been able to but concede to the “deregulation” wave to force, for example, the elimination of such important judge-made custom as the ‘principles of the restriction of dismissal’ and/or the introduction of the discretionary working system (sairyō-roudousei). Almost all major labor conditions in favor for blue collars accumulated and inherited from the labor negotiations and/or the labor judgments in the past several decades are at the risk of collapse, and as a result, the labor conditions in the SME sector seem like returning to the original level of minimum standards merely set by the capitalist Labor Law.

One of the lessons to be extracted from Japan’s past experience on the labor issues in the SME sector, before their extinguishing, must be the relation between the ‘skill-formation’ and the labor customs. There are positive discussions in the Japanese academic circle establishing that such a unique phenomenon in Japan of “making the blue collars’ conditions equal to the white collars”, especially involving the expanded application of monthly-payment, life-time employment and seniority-based payment and promotion system, must have been one of the most fundamental bases of the successful skill-formation in the SME sector. Such stably established labor customs in favor for the SME workers must have increased the incentives of workers to stay longer and improve their abilities so as to help the business success of the employer who is the very source of their life-long stable payments and promotions. Such a connection between the stable labor custom and the skill formation has been considered to be a fundamental base of the strength of Japan’s production chains sustained by highly motivated employees at each production level from the SMEs in the bottom to the top brand companies, such structural chain of loyal workers as a whole being often called as “corporate capitalism”⁷. This theory of business competitiveness sustained by loyal employees is considered not only applicable to the large corporation but also to SMEs.

In summary, the lesson from the experience of the labor infrastructure in the SME sector in Japan is never a story of utilization of the lowest cost labors employed at the minimum labor standard through a vertical production networks. It is not so thin. Rather, a review of the fact teaches that the labor custom to protect much higher labor conditions as good as the white collar workers have been accumulated in the post WWII labor movement and the related labor court judgments, which contributed to certain large extent to the formation of highly qualified skilled workers in the SME sector. The Japan’s experience in this context of the relation between the labor custom and the skill

⁷ See Japan ILO Association, Tammasat University Institute of Human Resources, Agency of University of Thailand (1990) *Labor System in Japan*; Koike, K. (1997) *Skill Development Mechanism in Japanese Companies*, Chuoko-Shinsho (in Japanese); Odaka, K. (1984) *An Analysis of Labor Market*, Iwanami (in Japanese).

formation must be a treasure of fruitful hints for industrializing Asian economies and is needed to be studied further in details.

3-5. SME and Global Trade

The SME sector of Japan as a exporting nation has always been forced to respond to occasional changes of trade environment. Before the capital liberalization, the SME sector had been actively contributing in the exports, however, the suddenly started days of currency fluctuation system after the Dollar-Shock in 1970s seriously hit the SMEs' trade condition. Then, the strong-Yen period in early 1980s under the Reganomics, the SME sector was a victim of 'voluntary export restrictions' as a result of US-Japan trade negotiations, while on the other hand being threatened by the lift of protection under the import quota system. Further, after the sudden strong-Yen boom since 1985, the SME sector was all the more tortured by both the losing export competitiveness and the drastic inflow of extremely cheap imports which even caused the so-called phenomena of 'price destruction' or 'distribution destruction', which forced some large numbers of SME choose their new production sight in the oversea.

However, this new option of oversea investment was not an easy task as expected, and necessitated further endeavor to consider the risk of local legal infrastructure as the basis of stable productions. Though the consultants from both public and private financiers stirred up the oversea investment boom exaggerating the financial effects of various investment incentives (such as tax exemptions and/or provisions of land) to be provided by the local governments as well as the merit of cheap production factors, the SME owners soon started to realize the true risk of the oversea investment that the basic legal infrastructure was not developed in the most investment sites. They did not know, before their decision-making to invest, anything about such reality that they need to go continuously with harsh negotiations with local government which makes full use of various interventionist' policy measures such as 'performance requirements' (e.g. the obligation of local procurements and the obligation to export) imposed in exchange for the discretionally given investment permission and/or the incentives, and/or such other intervention tools often justified under such socially popular laws as "consumer protection law" and /or "competition law", even a bit of news of suspected infringements of which might instantly set fire a emotional attack against the related company among local people. Besides, the lack of proper legal infrastructure in such very basic legal areas as the commercial transaction law, labor law, environmental law, and dispute

resolution law, gave crucial influence on the feasibility of investment⁸. It must be noted that behind the investment boom there was another boom of withdrawal, though only implicitly reported in the literatures.

A lesson to be learned is that, as the SMEs' response to the fluctuating trade conditions in the 'globalization' era necessitates the choice of oversea investments, the need for the optimization of the legal infrastructure of the recipient countries is also increased. For the further internationalization of the SME activities, the more involvement and consideration from Japan is expected to improve the basic legal infrastructure in the Asian countries which are the major targets of the investment, especially via such channels of international cooperation as the ODA legal assistance project⁹, or such regional frameworks as the APT, the FTA/EPA and the APEC¹⁰.

At the same time, the legal infrastructure of Asian countries is crucial not only for the investing SMEs but also, or all the more important, for the SMEs staying in Japan. Since the difference of the substantial contents of the law, such as the minimum standards for protection of labor and environment, can largely change the basis of production costs and thus result in the difference of competitiveness among the countries having difference legal contents. In order to survive in the globalization era, SMEs in Japan will call for the derogation of legal standards in Japan so as to compete in the same position with importation from the countries with lower legal standards, which might bring about a peril of the collapse of the whole social structure in Japan. In order to ensure the fair and equal competition basis for Japanese SMEs while avoiding such a destructive conclusion of the derogation of own internal legal standards (so-called social-dumping or eco dumping situations), Japanese government has to make more serious endeavors to assist the Asian countries to improve their legal infrastructure level so as to meet the expectation for a fair competition.

⁸ See Kaneko, Y. (1998) *Potentiality of Asian Law*, Daigaku-kyoiku-shuppan, 1998 (in Japanese) in Chapter II.

⁹ See Kagawa, K. & Kaneko, Y. ed. (2007) *Law and Institutional Reform*, Minerva Shobo, 2007 (in Japanese).

¹⁰ Kaneko, Y. (2003) Legal Policy Choices for the 'East Asian FTA: Alternative Response toward De Facto Standards on "Trade Related Matters I&II," *Journal of International Cooperation Studies* (GSICS, Kobe University), Vol.11 No.1, p.49-81 - Vol.11 No.2, p.53-72 (in Japanese); also Kaneko, Y. (2006) Options of the Legal Formation for the Asian Integration: Investment Rules as an Example, in the Japan Society of Asian Law Studies (2006) *Horizon of the Asian Law Studies*, Seibun-Do (in Japanese)

4. International Trend of SME Promotion Policies

4-1. Proposals of International Development Agencies

International development agencies have been assisting the formation of SME policies in Asian countries. Their basic policy stance tends to be a Neo-classics and making much of the deregulations. For instance, reference is made to the “SME Development Master Plan 2006-2010” in Vietnam adopted in 2006 under the assistance from the Asian Development Bank (ADB). The ADB started its involvement in this policy area earlier and had finalized its initial proposal of “Roadmap” in 2003 as well as the “Action Plan” paraphrasing the “Roadmap” in detail, which gave a direct influence over the “SME Policy Matrix” prepared by the Ministry of Planning and Investment (MPI) of Vietnam and resulted in such a concrete progress as the establishment of the Agency of SME Development (ASMED) under the same Ministry. The contents of these assistance from the ADB seem, at a first sight, fairly comprehensive while involving such fundamental issues as strengthening the enterprise entries, promoting financing, promoting access to lands, promoting access to market for exporting. However, a slight look into the substantial details would tell that the measures are made up only with the minimum reconsideration of the deregulation of related laws, such as the deregulation of enterprise registration system, the deregulation of accounting and disclosure system for enhancing financial access, introduction of simplified land registration system for further land access, and the deregulation of the restriction of technology transfer contracts for increasing trade access. It is surprising but there is no mention to such central measures in the past SME policies in Japan as the organization policies, policy-based financial institutions, tax incentives or subsidies, though slight mentions are being made on the ‘public-private partnership’ substantial content of which is not clear. All the measures listed up are apparently inclined to a ‘deregulation’ as if trying to extinguish every residue of the command-and-control styled measures inherited from the past socialist regime, and there is almost no positive stance trying to build up any new rules.

Thus, the SME policy being formed in Vietnam under the assistance by the ADB seems to be inclined to a ‘deregulation’, which is continuously sustained in the ADB’s second phase sub-program as shown in the “Technical Assistance Report No. 38335”, and further endorsed by the collaboration forum among international donors as shown in Committee of Donor Agencies (2005) “Comprehensive Framework”, and finally materialized in the “SME Development Master Plan 2006-2010” officially adapted by the Vietnamese government. Though the “Master Plan” is made up of more than 800

pages, its contents hardly involve anything more than the deregulationist reach set by the ADB's "Roadmap" or "Action Plan".

As shown in this Vietnam's case, the recent SME policy stance of international development agencies generally inclines to the 'deregulation', reflecting the theoretical trend among a sect of institutionalist's development studies close to the Neo Classical perception of the maximized market role and promoting the laissez-faire styled institution building to secure the libertarian norms. Especially among the scholars close to the World Bank, there is a strong campaign to promote the most deregulated choices in the Anglo-American legal system, saying that such a choice will best create more financing and more economic growth¹¹. The same scholars are repeating this logic also for the SME policy, based on their 'empirical' analyses on the results of past SME policy measures tried in many countries in various occasions, inducing a conclusion that there was no positive effect obtained by any interventionist policy measure in terms of the enhancement of competition and/or the promotion of employment. Their alternative proposal is that the SME policy should only furnish such minimum legal institution as the laws to promote deregulation, the law to establish the ownership, and the contract enforcement system¹².

This apparent 'deregulation' stance firmly held among leading international development agencies may increase a risk of conflict against the assistance projects expected from Japan. In fact, for instance, Japan has been providing a technical assistance to Vietnam in the ODA to help policy formations for promoting the market economic reform (so-called "Ishikawa Project") which involves a clear message that Vietnam can learn a lot from the industrial policy-led high growth period of Japan in its own process of reformation via creating of vertical transactional networks or organization policies for the state-owned enterprises as well as the SME sector. Even after the close of Ishikawa Project, Japanese ODA is still continuing such involvements as sending the experts for SME policy formations and the establishment of technology training centers. Such a stance of Japan's assistance largely based on interventionist

¹¹ See La Porta, R., Lopez-De-Silanes, F., Shleifer, A. & Vishny, R. W. (1996) "Law and Finance," NBER Working Paper 5661 (Subsequently published at 106 *Journal of Political Economy* 1113) and succeeding articles on the 'legal origins'. For the other arguments insisting the superiority of the Anglo-American law, see also Mahoney, P. G. (2001) "The Common Law and Economic Growth: Hayek Might Be Right," 30 *J. Legal Stud.* 503; Shleifer, A., Glaeser, E., La Porta, A., Lopez-De-Silanes & Djankov, S. (2003) "The New Comparative Economics," Institute for Economic Research, Harvard University, Institute Research Discussion Paper No.2002; Levine R. (2005) "Law, Endowments and Property Rights," *Journal of Economic Perspectives*, 19-3.

¹² See, for example, Beck T, Demirgüç-Kunt, A. & Levine R. (2005) "SMEs, Growth, and Poverty," NBER Working Paper Series, National Bureau of Economic Research.

measures must sooner or later be in conflict with such a deregulationist stance of the ADB and the World Bank. One of the possible hints for their harmonization could be drawn from alternative neutral stance stably being held in another ODA project from Japan, namely the “Legal Assistance Project (Houseibi-Shien)” started just at the same time with Ishikawa Project but having less interventionist nature than the latter, while pouring enormous effort into the process of liberalistic law and judicial reform especially in such most fundamental market-based infrastructure as Civil Code, Civil Procedure Code, and the creation of the formal training system for judges. If we are to recall the analytical framework of Figure-2 again, and when the deregulationist stance of ADB/World Bank is positioned in (D) and the interventionist stance of Ishikawa Projects is in (A) or (B), perhaps, we will be able to find a compromised way out of the possible conflict between the two in the direction of (C) being constantly perused by the “Legal Assistance Project”.

4-2. Lessons from Transition Economies

Apart from the deregulationist stance of the World Bank and/or the ADB, there are some different observations especially held among the theorist who are drawing lessons from the transition process in Russia and the Eastern Europe. They raise some persuasive empirical evidences to tell that deregulationist reforms directed in these transition economies by such international development agencies as the World Bank and the EBRD (European Bank for Reconstruction and Development) have been made no positive result, and rather have brought only harmful effects¹³. The alternative measures proposed in these transition economies are almost as the same interventionistic as what had been utilized during the high growth period in Japan, covering such menu as export promotion measures, subsidies and soft loans to be provided by the policy-based lending institutions. Typical example of the actual turning to such an alternative approach is the very choice of Russia since the establishment of the Ministry of the Anti-Monopoly and the Corporate Support in the administrative structural reform in 1998 as a result of dissolution of the former Competition Committee which had once been formed as an independent administrative committee in 1991, which was a simplistic event to appeal a change from the independent competition law application to its full dependency to the industrial policy concerns.

As shown in these cross-country examples, international debate on the SME policy

¹³ See, for example, McIntyre, R.J. and Dallago, B. ed. (2003) *Small and Medium Enterprises in Transitional Economies*, Palgrave Macmillan.

have been diversifying in various directions and giving no hint for a conversion. If we are to describe such current situation on the analytical framework in Figure-2 again, the (D)'s stance of such international development agencies as the World Bank, the ADB and/or the EBRD is not always an established single model, but rather, the far opposite strategy of (A) or (B) to increase discretionary state interventions is resuming all the more strength in response to the unsuccessful results of the former stance of (D). Then, the question would be which way Japan is to go in assisting neighboring Asian countries in making their SME policies.

5. Reconsidering the Japan Model

“Japan Model” is often understood in the context of interventionist development theory which has easily been supported by the image of successful industrial policy the most actively exercised in the high growth period. Such a preconception on Japan as a Developmental State must be a typical sample to be positioned in (A) of the analytical framework in Figure-2. However, when we try to get a precise understanding of the SME policy which operated as a whole in a real economy, we will soon realize the limitation of such an approach as picking up only a portion of total legal infrastructure surrounded the actual being of the SME sector. As discussed in Section-3 of this article, the experience of Japan has been something other than a naked interventionist strategy. There seemed to be a unique combination between the interventionist policy measures and the basic legal infrastructure meant for a fair and transparent basis of the competitive market, where the former was carefully applied so as to take a form not inconsistent with the basic market environment set by the latter to be placed in the position (C).

For example, what have been prompting the SME financing are not only such interventionist measures as the establishment of the policy-based lending and/or subsidies but also the optimization of financial laws in supporting the stable role of local private financiers. Also, what have effectuated the corporate governance of SME are not always the administrative order-and-control but more of such market-side oversights by such corporate stakeholders as creditors, workers and business counterparts as well as such supportive professionals as certified tax accountants and/or SME analysts, which were sustained by such fundamental legal infrastructure as the information disclosure, the audits, and the substantive and procedural framework of directors' responsibilities. Further, the SME sector was not always a target of protective exemptions from the competition law applications, but has also been a very active claimant in the campaign

to promote the rigorous application of the Anti-Monopoly Law especially for restricting the abuses of superior transactional positions in the vertical sub-contracting relationships and/or the abuses of market dominant position in the horizontal market relationships. Also, what has sustained the technological quality of the SME was not always the officially provided access to trainings or information, but also the incentives of skill formations made possible in the holistic regime of labor law and customs of ‘making the blue collars’ conditions equal to the white collars” developed through a long path of labor negotiations. As for the response of SME to the trade and investment liberalization, what has made it possible for the SME was not only the occasional government policy slogans but also the SMEs’ best efforts in cutting the cost and repeating the ‘Kaizen’ movement in order to better responding to the pressing global competition under the fluctuating currency risks.

The SME sector in Asia is also facing the same difficulties which the Japan’s SME sector has been experiencing since the rapid development days. In order to survive in the harsh international competition in the globalization era, numerous of tasks are there to accomplish such as the financial access, optimization of corporate governance, catch-up for the high-technology, competition with large corporations, etc. Though it is a naturally observed tendency in the Asian SME sector that the SME owners are seeking more and more governmental support while trying to induce hints from the past interventionist measures in Japan, it should be noted that the actual path which the Japan’s SME sector has been taking was not just an obedience to the government’s leadership but rather a continuous endeavor of the self-help in order to acquire the competitiveness. The risk of over dependency to the governmental guidance should rather be remembered as such was not always successful in the reality of Japan’s past experience. Perhaps, it must be the task of Japan from now on to draw out and convey its past lessons to Asian neighbors, not partially concentrating on the SME policy in a narrow sense, but rather as a whole, including the legal basis for private financing, oversights by stakeholders, commercial laws for competitive market transactions, and every other aspect of the legal infrastructure in together having been sustaining the fair and transparent conditions for the healthy competitive market.

【SME-related Legal History in Japan】

	SME trend	Public policy for SME
Reconstruction period 1945-1954	Establishment of <ul style="list-style-type: none"> • SME Agency (1948) • National Life Corporation (1949) • Japan Finance Corporation for Small Business (1953) <p>※In this period, there were established basic contents of SME policies, such as Finance, Organization, Consultation and Guidance.</p>	<ul style="list-style-type: none"> • Anti-Monopoly Law (1947) • Law on SME Cooperatives (1949) • People' Finance Corporation law (1949) • Law on Finance Corporation for SME Business (1953) • Law on Chamber of Commerce and Industry (1950)
High-growth period (1st stage) 1955-1962	<ul style="list-style-type: none"> • Since the early 1950, Japanese economy had recovered to prewar level as well. • During high-growth period, there were clear gaps on productivity, wage and financing between large companies and SMEs, which is called a 'Dual Structure'. • Increase <ul style="list-style-type: none"> • rate of establishment of business, and • number of firm <p>※In order to remedy the dual structure, it was enhanced relevant act, institution and organization. Moreover, each industry was required to transfer to industrial upgrading policy.</p>	<ul style="list-style-type: none"> • Law on Tentative Measures for SME by Sectors (1960) • Law on Department Store (1956) • Law concerning the organization of SME (1957) • Small Business Credit Insurance Corporation (1958) • Commerce and Industry Association Law (1960)

	SME trend	Public policy for SME
High-growth period (2nd stage) 1963-1972	<ul style="list-style-type: none"> • SME Basic Law was enacted to reduce the disparity of the dual structure, to make the shift to open economic structure. • SME Basic Law set down the coverage of SME. Then, industrial modernization policy was implemented to SMEs. Before the law, SMEs were differently defined by each policy. • SME Investment Law was established in order to assist access to capital. 	<ul style="list-style-type: none"> • SME Modernization Promotion Law (1963) • Financial and Other Assistance for Small Business Modernization Law (1963) • Special Account Law on Accommodation of Financial Resource for SME Upgrading (1963) • SME Basic Law (1963) • Law on Small and Medium Business Investment & Consultation Corporation (1963) • Law on Guidance for SME (1963)
Stable-growth period 1973-1984	<ul style="list-style-type: none"> • SME College was established in order to improve training system of management and technology. <p>※Existing policy focused on extension of management scale and modernization of equipments for productivity enhancement. However, during the stable-growth period, the emphasis is on industrial structure policy and knowledge intensification, such as technology, human resource and information.</p>	<ul style="list-style-type: none"> • Law on the Adjustment of Business Activities of Large Retailers (1973) • Law on Promotion of SME Retail (1973) • Extraordinary Measures Law on Change of Business for SME (1976) *Amendment in 1986 • Extraordinary Measures Law for SME in Specific Depressed Region (1978) • Extraordinary Measures Law for SME in Production Region (1979)

	SME trend	Public policy for SME
Transition stage 1985-1998	<ul style="list-style-type: none"> • the high-yen recession by the Plaza Accord in 1985 led Japanese economy to economy driven by domestic demand. • Japanese economy was in a long-period of stagnation after the asset-inflated growth period. • SMEs need diversification of risk by setting up operation overseas of parent enterprise. Therefore, there is an increased independence from parent enterprises increase. In this regard, the subcontracting system also changes from vertical division of labor to network division of labor, which is more flexible and less exclusive. 	<ul style="list-style-type: none"> • Law on Change of New Business (1986) • Site-Specific Extraordinary Measures for SME Law (1986) • Extraordinary Measures Law on Invigoration of Accumulation for Specific SME (1992) • Law to Promote Efficiency of Distribution Operation Promotion for SME (1992) • Law on Facilitation of Expansion for SME (1993) • Extraordinary Measures Law to Promote Creative Business Activity of SME (1995) • Extraordinary Measures Law on Facilitation of Specific Industrial Accumulation (1997) • Law on Investment Business Limited Partnership Contract for SME (1998) • Central City Invigoration Law (1998)
Present 1999-	<ul style="list-style-type: none"> • Rate of establishment of business decrease • Rate of closing down increase • Age of mega-competition by globalization • From guidance to assistance 	<ul style="list-style-type: none"> • Amendment of "SME Basic Law" (1999) • Law on SME Assistance (2000)

Source : Sasaki, Shiraishi, Tanaka, (2002)

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Comparison of SME policies of the ASEAN-member countries

I Summary of system comparison (definition, statistics, organizations etc.)

	Brunei Darussalam	Cambodia
<p>I -1 Presence or absence of definition of SME and its basis</p> <ul style="list-style-type: none"> • Manufacturing industry • Wholesale industry • Retailing industry • Service industry 	<p>Small enterprise employs 6-50 workers.</p> <p>Medium enterprise employs 51-100 workers.</p>	<p>Based on the documents of the Ministry of Industry, Mines and Energy which has jurisdiction over "manufacturing industry", "small enterprise" has 10-49 employees, "medium enterprise" has 50-199 employees, and "large enterprise" has 200 employees or more.</p>
<p>I -2 Environment and realities of SME</p> <ul style="list-style-type: none"> • White paper on SMEs • Statistical data about SMEs 	<p>According to the statistics of the Ministry of Home Affairs, the number of private enterprises in 2002 is 6,817 and SMEs account for 6,711 of the total.</p>	<p>According to the Statistical Year Book 2005, the number of SMEs is 28,131 in 2004. (See I -7)</p>
<p>I -3 SME-related laws</p> <ul style="list-style-type: none"> • Basic law • Other related laws 	<p>unknown in this survey</p>	<p>For example, Law on Management of Factories and Handicrafts enacted in 2006.</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Brunei Darussalam	Cambodia
<p>I -4 Planning and implementation of SME policies</p> <ul style="list-style-type: none"> • Policy planning organization • Policy implementing organization • Receiver of the policies • Personnel 	<p>SME related organizations are Ministry of Industry and Primary Resources and the Entrepreneur Development Center under the Ministry.</p> <p>The Economic Planning and Development Agency submitted The 9th National Development Plan (NDP) 2007-2011 in February 2007 to the Long Term National Development Policy Committee.</p> <p>The 9th NDP inherits the 8th NDP which ended in 2005.</p> <p>Brunei government allocated a total of 7.3 billion B\$ to the 8th NDP and focused on diversification of national economy, especially departure from dependence on oil and gas sector. In addition, the government placed top priority on the enhancement of SMEs and diversification of economy. Besides, ICT was designated as the main industry to foster.</p> <p>The government poured 1 billion B\$ to the 8th NDP in 2002 to stimulate the economy more.</p>	<p>There is SME Cambodia as an NGO based on the CARERE Program by the United Nations Development Programme (UNDP).</p>
<p>I -5 Financial expenditure for SME policies</p> <ul style="list-style-type: none"> • Central government • Local governments • Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Brunei Darussalam	Cambodia
<p>I -6 Role sharing between central government and local governments</p> <ul style="list-style-type: none"> •Programs by central government •Programs by local governments 	unknown in this survey	unknown in this survey
<p>I -7 Other</p>	No special affairs	According to the material IDE-JETRO made based on data of the Ministry of Industry, Mines and Energy, the number of micro and small enterprises is 28,131 and that of medium and large enterprises is 369 in "manufacturing industry" (2004) .

I Summary of system comparison (definition, statistics, organizations etc.)

	Indonesia	Lao PDR
<p>I -1 Presence or absence of definition of SME and its basis</p> <ul style="list-style-type: none"> • Manufacturing industry • Wholesale industry • Retailing industry • Service industry 	<p>According to the Decree of Minister of Industry 37M/-IND/PER/6/2006, definition of small enterprise is that the enterprise conducts business activity in industrial sector and its investment amount is Rp 200 million or less (except land and buildings for the business site).</p> <p>Definition of medium enterprise is that the enterprise conducts business activity in industrial sector and its investment amount is over Rp 200 million and Rp 10 billion or less (except land and buildings for the business site).</p> <p>Meanwhile, the Ministry of Cooperatives and Small and Medium Enterprises defines the number of employees as follows: Large enterprise : 100 or more Medium enterprise : 20-99 Small enterprise : 0-19</p>	<p>According to "Information of SMEs in LAOS" made by "Lao National Chamber of Commerce and Industry", small enterprise has 1-19 employees, less than 400 million kips of annual turnover, and less than 250 million kips of total assets. Medium enterprise has 20-99 employees, less than 1 billion kips of annual turnover, and less than 2.1 billion kips of total assets.</p>
<p>I -2 Environment and realities of SME</p> <ul style="list-style-type: none"> • White paper on SMEs • Statistical data about SMEs 	<p>According to the Ministry of Cooperatives and Small and Medium Enterprises, there are about 2.74 million manufacturing enterprises in 2004 and the enterprises which employ less than 100 workers account for 99.97% of the total.</p>	<p>unknown in this survey</p>
<p>I -3 SME-related laws</p> <ul style="list-style-type: none"> • Basic law • Other related laws 	<p>Small Enterprises Act</p>	<p>unknown in this survey</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Indonesia	Lao PDR
<p>I -4 Planning and implementation of SME policies</p> <ul style="list-style-type: none"> • Policy planning organization • Policy implementing organization • Receiver of the policies • Personnel 	<p>The Directorate General of Small and Medium Scale Industry and Trade, the Ministry of Industry</p> <p>The Ministry of Cooperatives and Small and Medium Enterprises</p>	<p>The Ministry of Industry and Handicrafts</p> <p>SMEPDO (SME Promotion and Development Office)</p> <p>SMEPDC (the National Small and Medium Sized Promotion and Development Committee)</p>
<p>I -5 Financial expenditure for SME policies</p> <ul style="list-style-type: none"> • Central government • Local governments • Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Indonesia	Lao PDR
<p>I -6 Role sharing between central government and local governments</p> <ul style="list-style-type: none"> •Programs by central government •Programs by local governments 	unknown in this survey	unknown in this survey
<p>I -7 Other</p>	No special affairs	No special affairs

I Summary of system comparison (definition, statistics, organizations etc.)

	Malaysia	Myanmar
<p>I -1 Presence or absence of definition of SME and its basis</p> <ul style="list-style-type: none"> • Manufacturing industry • Wholesale industry • Retailing industry • Service industry 	<p>According to Small and Medium Enterprise Annual Report 05 issued by the National SME Development Council, definition of small enterprise of manufacturing industry is that the annual sales turnover is RM250,000 or more and less than RM10 million or the number of employees is 5-50. In service sector, the annual sales turnover is RM200,000 or more and less than RM 1 million or the number of employees is 5-19.</p> <p>Definition of medium enterprise of manufacturing industry is that the annual sales turnover is RM10 million or more and less than RM25 million or the number of employees is 51-150. In service sector, the annual sales turnover is RM 1 million or more and less than RM5 million or the number of employees is 20-50. Micro enterprise is defined below small enterprise.</p>	<p>unknown in this survey</p>
<p>I -2 Environment and realities of SME</p> <ul style="list-style-type: none"> • White paper on SMEs • Statistical data about SMEs 	<p>Small and Medium Enterprise Annual Report (National SME Development Council)</p> <p>The number of SMEs in manufacturing industry, nonmanufacturing industry and agricultural industry is 518,996 in total (JETRO Tsushoukouhou, 14 November 2006) .</p>	<p>Irrespective of the size of enterprises, the total number of incorporated enterprises is 27,456 in 2002-2003. Of them, 20,432 enterprises employ 5-9 workers.</p>
<p>I -3 SME-related laws</p> <ul style="list-style-type: none"> • Basic law • Other related laws 	<p>Companies Act 1965 (ACT 125) & Subsidiary Legislation</p>	<p>unknown in this survey</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Malaysia	Myanmar
<p>I -4 Planning and implementation of SME policies</p> <ul style="list-style-type: none"> • Policy planning organization • Policy implementing organization • Receiver of the policies • Personnel 	<p>Under the guideline of the National Development Planning Committee, SME policies were carried on fully in 1992 with main responsible organizations of the Ministry of Finance, the Ministry of Trade and Industry, the Ministry of Human Resources, the Ministry of Science, Technology and Environment and the General Administrative Agency of the Cabinet. At least 12 ministries and 40 government agencies engage in SME support.</p> <p>AS for manufacturing industry, main responsible organizations are the Ministry of Trade and Industry and the Small and Medium Industries Development Corporation (SMIDEC) which is the subordinate organization of MITI and established in 1996.</p> <p>Under jurisdiction of MITI alone, there are 5 organizations such as SMIDEC.</p> <p>SMIDEC coordinates 9 ministries and agencies and 22 organizations. SME policies are broken down into 2 major groups; various preferential treatments and SME programs.</p> <p>In addition, the National SME Development Council (NSMEDC) was established in 2004 in order to enhance the promotion policies. The secretariat is in Bank Negara Malaysia (the central bank).</p>	<p>Small and Medium Scale Industries Development Sub-Committee (Myanmar Industrial Development Committee)</p> <p>Directorate of Industrial Supervision and Inspection (the Ministry of Industry 1)</p> <p>Directorate of Myanmar Industrial Planning (the Ministry of Industry 2)</p> <p>Cottage Industries Department (the Ministry of Cooperatives)</p>
<p>I -5 Financial expenditure for SME policies</p> <ul style="list-style-type: none"> • Central government • Local governments • Other 	<p>According to the performance reporting of January to November 2006 submitted to NSMEDC, SMEs support policies were for 287,000 SMEs, the budget of RM7.8 billion was allocated and 213 key projects were implemented.</p> <p>The policies aimed especially at the following; ① fostering and enhancement of entrepreneur spirit, ② enhancement of sales promotion, ③ improvement of product development capabilities, ④ reinforcement of technical capabilities.</p> <p>Main characteristic of support policies of 2006 is that the policies focused on fostering of female entrepreneur and technical training for young people.</p>	<p>unknown in this survey</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Malaysia	Myanmar
<p>I -6 Role sharing between central government and local governments</p> <ul style="list-style-type: none"> •Programs by central government •Programs by local governments 	<p>There are Industrial Linkage Programme and business matching and expansion programmes by SMIDEC as a centerpiece of SMEs development.</p>	<p>unknown in this survey</p>
<p>I -7 Other</p>	<p>No special affairs</p>	<p>No special affairs</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	The Philippines	Singapore
<p>I -1 Presence or absence of definition of SME and its basis</p> <ul style="list-style-type: none"> • Manufacturing industry • Wholesale industry • Retailing industry • Service industry 	<p>Definition of small enterprise is that the enterprise has 10-99 employees and total assets (except land) of Php 3,000,001 or more and up to Php 15,000,000.</p> <p>Medium enterprise has 100-199 employees and total assets (except land) of Php 15,000,001 or more and up to Php 100,000,000.</p> <p>Micro enterprise is defined below small enterprise without classification by type of industry.</p>	<p>SME must have at least 30% Singapore local equity ownership and fixed production assets (net book value of factory, machinery, equipment etc.) of S\$15 million or less.</p> <p>Non-manufacturing SME must have 200 employees or less.</p> <p>(See the website of the SPRING and translation by the ASEAN-Japan Centre in its website)</p>
<p>I -2 Environment and realities of SME</p> <ul style="list-style-type: none"> • White paper on SMEs • Statistical data about SMEs 	<p>According to Small and Medium Enterprises Statistical Report 2005, the number of business enterprises in 2003 is 810,362. Micro, small and medium enterprises account for 99.6% of the total.</p>	<p>According to the SPRING, the number of business enterprises is 133,600. SMEs account for 132,800 (99.4%) of the total.</p> <p>SME Development Survey serves as a statistical information.</p>
<p>I -3 SME-related laws</p> <ul style="list-style-type: none"> • Basic law • Other related laws 	<p>The Magna Carta for Small Enterprises (equivalent for the Small and Medium enterprise Basic Law) regulates the establishment of the Small and Medium Enterprise Development Council and the foundation of the Small Business Guarantee and Finance Corporation (SBGFC).</p> <p>It also defines SME.</p> <p>Barangay Micro Business Enterprise Act (enacted in November 2002)</p>	<p>9 legal organizations of the Economic Development Board, the Productivity and Standard Board, the International Enterprise Singapore, the Agency for Science & Technology and Research, the Singapore Tourism Board, the Hotel Licensing Board, the Jurong Town Council Corporation, the Sentosa Development Corporation, the Energy Market Authority are established under the jurisdiction of the Ministry of Trade and Industry. Legal organization is a corporation established based on individual law and implements national policy flexibly.</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	The Philippines	Singapore
<p>I -4 Planning and implementation of SME policies</p> <ul style="list-style-type: none"> • Policy planning organization • Policy implementing organization • Receiver of the policies • Personnel 	<p>As the organization of DTI (the Department of Trade and Industry), there are the Bureau of Small and Medium Enterprise Development (BSMED) responsible for policy planning and the Bureau of Domestic Trade (BDT) responsible for marketing.</p> <p>The bodies that actually pursue the policies are every regional directorate (16 regions) and DTI bureaus positioned in every state (79 states) below the directorates, and ROG (Regional Operation Group) has jurisdiction over them.</p> <p>As for SME administration, the Small and Medium Enterprise Development Council was established under the Magna Carta for Small Enterprises.</p>	<p>The Ministry of Trade and Industry (MTI) leads country-level economic policies to contribute to the creation of national wealth through stable and sustained economic growth. Three pillars to achieve this aim are as follows;</p> <p>① Protection of Singapore's interest in international trade and intra-Asian trade.</p> <p>② Promotion of economic growth through foreign investment, improvement of productivity, development of efficient industrial infrastructure etc..</p> <p>③ Promotion of intra-Asian investment by domestic enterprises.</p> <p>The role of the MTI is solely planning and coordination of policies. Legal organizations under the jurisdiction of the MTI are responsible for planning and implementation of concrete programs.</p> <p>The organizations are such as the Economic Development Board (EDB), the Standards Productivity and Innovation Board (SPRING), the International Enterprise Singapore (IE Singapore), the Agency for Science, Technology and Research (A*STAR).</p> <p>The predecessor of the International Enterprise Singapore is the Trade Development Board.</p>
<p>I -5 Financial expenditure for SME policies</p> <ul style="list-style-type: none"> • Central government • Local governments • Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	The Philippines	Singapore
<p>I -6 Role sharing between central government and local governments</p> <ul style="list-style-type: none"> • Programs by central government • Programs by local governments 	<p>The Small and Medium Enterprise Centers have been developed since 1996 and will be positioned in every state.</p> <p>Most of them are attached to DTI's local offices.</p> <p>The rest is positioned in the local Chamber of Commerce or in the local government.</p> <p>Main function of the Small and Medium Enterprise Centers is provision of information to SMEs and implementation of projects and programs.</p>	<p>unknown in this survey</p>
<p>I -7 Other</p>	<p>No special affairs</p>	<p>No special affairs</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Thailand	Viet nam
<p>I -1 Presence or absence of definition of SME and its basis</p> <ul style="list-style-type: none"> • Manufacturing industry • Wholesale industry • Retailing industry • Service industry 	<p>According to the definition by the Ministry of industry, small enterprise of manufacturing industry and service industry has 50 employees or less, or has fixed assets (except land) of 50 million bahts or less. Medium enterprise has 51-200 employees or fixed assets (except land) of over 50 million and up to 200 million bahts.</p> <p>Small enterprise of wholesale industry has 25 employees or less, or fixed assets (except land) of 50 million bahts or less. Medium enterprise has 26-50 employees or fixed assets (except land) of over 50 million and up to 100 million bahts.</p> <p>Small enterprise of retailing industry has 15 employees or less, or fixed assets (except land) of up to 30 million bahts, and medium enterprise has 16-30 employees or fixed assets (except land) of over 30 million and up to 60 million bahts.</p>	<p>According to the Decree No.90/2001/ND-CP, definition of SMEs is that the investment amount of the enterprise is less than 10 billion dong or number of employees is less than 300.</p>
<p>I -2 Environment and realities of SME</p> <ul style="list-style-type: none"> • White paper on SMEs • Statistical data about SMEs 	<p>White Paper on SMEs and Trends (OSMEP)</p> <p>OSMEP is the abbreviation of the Office of Small and Medium Enterprises Promotion.</p> <p>According to the white paper, number of SMEs is about 2.24 million in 2005.</p>	<p>According to Statistical Yearbook of Vietnam 2005, the total number of business enterprises is 91,755 and the number of enterprises which employ less than 300 is 88,222.</p>
<p>I -3 SME-related laws</p> <ul style="list-style-type: none"> • Basic law • Other related laws 	<p>Small and Medium Enterprises Promotion Act</p> <p>Ministerial Regulation</p>	<p>Governing law is the Government Decree 90/2001.</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Thailand	Viet nam
<p>I -4 Planning and implementation of SME policies</p> <ul style="list-style-type: none"> • Policy planning organization • Policy implementing organization • Receiver of the policies • Personnel 	<p>To meet the economic crisis, industrial structure improvement plan was taken from long-term viewpoint in combination with short-term measures such as reorganization of financial industry and economic boost. Measures for SMEs were brought into the heart of it.</p> <p>As a result, in 1999, the government implemented comprehensive measures such as improvement of Small Industry Finance Corporation and the Small Business Credit Guarantee Corporation, establishment of the Small and Medium Enterprise Fund and introduction of the Small and Medium Enterprise Management Consultant. At the same time, the government enacted the Small and Medium Enterprises Promotion Act in April 2000.</p> <p>Also the Small and Medium Enterprises Promotion Master Plan was approved in the Cabinet meeting in April 2000.</p> <p>Task force for this Master Plan was formed by the Department of Industrial Promotion, the Ministry of Industry, the Ministry of Commerce, the Thai Chamber of Commerce and the Federation of Thai Industries. (See II -4)</p>	<p>Based on the Government decree 90/2001, the Small and Medium Enterprise Bureau was established in 2002.</p> <p>The bureau was reorganized into Small and Medium Enterprise Agency in 2003. The Five Year Small and Medium Enterprise Development Plan was made in 2006.</p> <p>The Small and Medium Enterprise Agency consists of about 70 personnel. Director General (1), Vice Director (3), Clerical Office, Enterprise Registration Division, SME Promotion Division, Business Information Center, State Owned Enterprise Reform Division, Domestic Investment Promotion Division, SME Technical Assistance Center (Hanoi, Danang, Ho Chi Minh)</p> <p>At present, the pillars of SME policies are enterprise registration procedures, human resources development, provision of information and technical support.</p>
<p>I -5 Financial expenditure for SME policies</p> <ul style="list-style-type: none"> • Central government • Local governments • Other 	<p>The Small and Medium Enterprise Fund was set up in OSMEP. The fund consists of;</p> <p>Funds contributed by the government. Fiscal budget of the government. Donations. Other. The aim of the fund is as follows;</p> <p>Promotion of efficiency of establishment, organizational change, business improvement for SME and its association.</p> <p>Support for projects of governmental organizations, state-owned enterprises, private organizations that have the aim of promotion of SME.</p> <p>Support and assistance for merger aiming promotion of efficiency, investment and business expansion.</p>	<p>The Five Year Small and Medium Enterprise Development Plan (2006-2010) was approved by the prime minister's office in October 2006.</p> <p>The main purpose is to contribute to enhancement of economic competitiveness through SME promotion.</p> <p>Concrete numeric targets are inauguration of 320 thousand enterprises, creation of 2.7 million new employment and fostering of 165 thousand technical workers in 5 years.</p> <p>Main tasks are system improvement, tax system improvement, land use, finance, technology, information, human resources development, market development and expansion of the role of SME Promotion council.</p> <p>Main activities are simplification of enterprise registration, improvement of access for land use, smooth finance, competitiveness improvement, human resources development, increase awareness of SME and action plan making.</p>

I Summary of system comparison (definition, statistics, organizations etc.)

	Thailand	Viet nam
<p>I -6 Role sharing between central government and local governments</p> <ul style="list-style-type: none"> • Programs by central government • Programs by local governments 	<p>SME promotion plan is developed by central and local governments according to the standards listed below. Governments make use of regional potential by project groups and by area.</p> <ul style="list-style-type: none"> • Financing help for promotion of efficiency • Improvement of finance and stock market for SME • Human resources development for SME • Support for management, technology, securement of market and improvement of business finance of SME • Provision of information • Grouping of SME • Promotion of investment by SME • Environmental protection measures • Improvement of legal system • Protection of intellectual property rights 	<p>The Department of Planning and Investment (DPI) is positioned in 64 prefectures and functions as local organization of central government (the Small and Medium Enterprise Agency, the Ministry of Planning and Investment) .</p> <p>Main activities are such as enterprise registration, human resource development project (holding of seminars) .</p>
<p>I -7 Other</p>	<p>No special affairs</p>	<p>No special affairs</p>

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
II-1 Finance <ul style="list-style-type: none"> • Loan • Investment, Capital injection • Credit guarantee • Other 	unknown in this survey	unknown in this survey
II-2 Tax system (1) <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 	unknown in this survey	unknown in this survey

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
<p>II-2 Tax system (2)</p> <ul style="list-style-type: none"> •Capital investment •Succession of a business •Technology development •Other 		
<p>II-3 Provision of information, Human resource development, Environment, Consultation, Advice, Other</p> <ul style="list-style-type: none"> •Provision of information •Human resource development and training •Environmental measures •Other 	unknown in this survey	unknown in this survey

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
<p>II-4 Support for securement of management resources of existing SMEs</p> <ul style="list-style-type: none"> • Support for research, development and technology • Support for response to IT • Support for industry-academia-government cooperation • Support for cultivation of market • Support for expansion in new area • Support for acquisition of ISO certification • Small and medium commerce promotion policies • Subcontracting enterprise promotion policies • Other 	unknown in this survey	unknown in this survey
<p>II-5 Support for inauguration of business and ventures</p> <ul style="list-style-type: none"> • Support for inauguration • Venture development • Support for venture capitals • Tax system • Improvement of stock market for ventures • Other 	unknown in this survey	unknown in this survey

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
<p>II-6 Promotion of fair dealing and improvement of market related to SME</p> <ul style="list-style-type: none"> • Act against Delay in Payment of Subcontract Proceeds • Retail business coordination measures • Sectors coordination • Government and public demand • Alternative dispute resolution • Other 	unknown in this survey	unknown in this survey
<p>II-7 Local SME policies</p> <ul style="list-style-type: none"> • Promotion of Traditional and local industry • Support for formulation of industrial concentration/ cluster and reinforcement of foundations • Support for revitalization of local towns and development of the area • Support for NPO • Other 	unknown in this survey	unknown in this survey

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
<p>II-8 Support for internationalization of SME</p> <ul style="list-style-type: none"> • Support for overseas investment • Promotion of trade • Provision of information • Other 	<p>One-Stop Agency The Ministry of Industry and Primary Resources</p> <p>Bandar Seri Begawan 1220 Brunei Darussalam</p> <p>Telefax: 2244811 Telex: MIPRS BU 2111 Cable: MIPRS BRUNEI http://www.industry.gov.bn/</p> <p>and other</p>	<p>unknown in this survey</p>
<p>II-9 Employment and labor policies related to SMEs</p> <p>(1) Special treatment in employment</p> <p>(2) Other</p>	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
<p>II-10 Support for SME organization and network</p> <ul style="list-style-type: none"> • Chamber of commerce • Cooperative • Network support • Other 	<p>There are some chambers of commerce such as Brunei Malay Chamber of Commerce and Industry, Chinese Chamber of Commerce, National Chamber of Commerce and Industry Brunei Darussalam and The Brunei Darussalam International Chamber of Commerce and Industry.</p>	<p>Law of Chamber of Commerce was adopted in the National Assembly in 1995 and Phnom Penh Chamber of Commerce (PPCC) was established based on the Sub-degree No.610.</p> <p>After that, Cambodia Chamber of Commerce (CCC) was established in 2002 based on the Sub-degree No.89 in order to expand the scope to the whole country.</p> <p>Both chambers are independent organizations under the jurisdiction of the Ministry of Commerce.</p> <p>There are local chambers of commerce in 10 cities throughout the country and PPCC also holds the secretariat of CCC.</p> <p>There are various donor supports from European countries.</p>
<p>II-11 Measures for small enterprise</p>	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Brunei Darussalam	Cambodia
II-12 Support for minorities and women	unknown in this survey	unknown in this survey
II-13 Safety net <ul style="list-style-type: none"> •bankruptcy-prevention •Corporate reorganization •Disaster preparedness •Other 	unknown in this survey	unknown in this survey
II-14 Other Noteworthy measures in each country	No special affairs	No special affairs

II Comparison of individual SME policies

	Indonesia	Lao PDR
II-1 Finance <ul style="list-style-type: none"> • Loan • Investment, Capital injection • Credit guarantee • Other 	PT. ASKRINDO Perum Sarana PT. Penjamin Kredit Pengusaha Indonesia	unknown in this survey
II-2 Tax system (1) <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 	unknown in this survey	unknown in this survey

II Comparison of individual SME policies

	Indonesia	Lao PDR
<p>II-2 Tax system (2)</p> <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 		
<p>II-3 Provision of information, Human resource development, Environment, Consultation, Advice, Other</p> <ul style="list-style-type: none"> • Provision of information • Human resource development and training • Environmental measures • Other 	<p>The SMEs Human Resource Development Committee was established mainly by the Directorate General of Small and Medium Scale Industry of the Ministry of Industry and the Education and Training Center.</p> <p>In addition, the SMEs Human Resource Development Clinic was established. The establishment of the SMEs Human Resource Development Center become the goal in the future.</p> <p>The Ministry of Industry established a team and a center for introduction of the Small and Medium Enterprise Management Consultants System. And human resources development was enhanced by private sector. The establishment of the Indonesia Mold & Dies Industry Association in February 2006 was one such example.</p>	unknown in this survey

II Comparison of individual SME policies

	Indonesia	Lao PDR
<p>II-4 Support for securement of management resources of existing SMEs</p> <ul style="list-style-type: none"> • Support for research, development and technology • Support for response to IT • Support for industry-academia-government cooperation • Support for cultivation of market • Support for expansion in new area • Support for acquisition of ISO certification • Small and medium commerce promotion policies • Subcontracting enterprise promotion policies • Other 	<p>The Ministry of Industry and the Ministry of Trade [in collaboration with Supporting Industry Promotion (SIP) team] held reverse trade show in Jakarta as one of the implementation of SIP program.</p> <p>Tim Nasional Peningkatan Ekspor dan Peningkatan Investasi (PEPI : National Team of Export and Investment Improvement) was established by the Economic Coordination Minister Office in order to strengthen the policy coordination in government.</p>	<p>unknown in this survey</p>
<p>II-5 Support for inauguration of business and ventures</p> <ul style="list-style-type: none"> • Support for inauguration • Venture development • Support for venture capitals • Tax system • Improvement of stock market for ventures • Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Indonesia	Lao PDR
<p>II-6 Promotion of fair dealing and improvement of market related to SME</p> <ul style="list-style-type: none"> • Act against Delay in Payment of Subcontract Proceeds • Retail business coordination measures • Sectors coordination • Government and public demand • Alternative dispute resolution • Other 	unknown in this survey	unknown in this survey
<p>II-7 Local SME policies</p> <ul style="list-style-type: none"> • Promotion of Traditional and local industry • Support for formulation of industrial concentration/ cluster and reinforcement of foundations • Support for revitalization of local towns and development of the area • Support for NPO • Other 	<p>As for cluster promotion, the concept of cluster was determined in the industrial policy announced in July 2005 and 10 sectors were set as priority development sectors in 2005-2009.</p> <p>(Implementing organizations: the Ministry of Cooperatives and Small and Medium Enterprises, the Ministry of Industry, the Economic Coordination Minister Office, the National Development Planning Board)</p> <p>Continuing implementation and review of the policy is required as one of the future plans.</p> <p>The Ministry of Industry provided capacity-building to Indonesian SMEs in the areas of marketing, design and packaging technique.</p>	unknown in this survey

II Comparison of individual SME policies

	Indonesia	Lao PDR
<p>II-8 Support for internationalization of SME</p> <ul style="list-style-type: none"> • Support for overseas investment • Promotion of trade • Provision of information • Other 	<p>The Ministry of Trade, the Indonesian Chamber of Commerce and Industry and JETRO established a research team about analysis of competitiveness of exporting industrial products in the world market. The team submitted a report to the Ministry of Trade in March 2006.</p> <p>Trade promotion organization National Agency For Export Development (NAFED)</p> <p>Jalan Kramat Raya No.172, Central Jakarta, Indonesia</p> <p>Tel: (62-21) 3190 4554 and other Fax: (62-21) 3190 1524 and other HP: http://www.nafed.go.id E-mail: nafed@nafed.go.id</p>	<p>Trade promotion organization Lao Trade Promotion Center Website: www.laotrade.org.la</p>
<p>II-9 Employment and labor policies related to SMEs</p> <ul style="list-style-type: none"> (1) Special treatment in employment (2) Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Indonesia	Lao PDR
II-10 Support for SME organization and network <ul style="list-style-type: none"> • Chamber of commerce • Cooperative • Network support • Other 	<p>The Indonesian Chamber of Commerce and other organizations are involved in strengthening of competitiveness and promotion of supporting industry.</p>	<p>As a chamber of commerce, there is the Lao National Chamber of Commerce and Industry.</p>
II-11 Measures for small enterprise	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Indonesia	Lao PDR
II-12 Support for minorities and women	unknown in this survey	unknown in this survey
II-13 Safety net <ul style="list-style-type: none"> •bankruptcy-prevention •Corporate reorganization •Disaster preparedness •Other 	unknown in this survey	unknown in this survey
II-14 Other Noteworthy measures in each country	The improvement of the Small and Medium Enterprise Management Consultants System is an critical item which listed in the Strategic Investment Action Plan (SIAP) .	No special affairs

II Comparison of individual SME policies

	Malaysia	Myanmar
<p>II-1 Finance</p> <ul style="list-style-type: none"> • Loan • Investment, Capital injection • Credit guarantee • Other 	<p>As for loan and credit guarantee, the government has 16 funds on governmental banks. In addition, there are guidance for commercial banks by the central bank and credit guarantee by a government-linked company.</p> <p>Improvement of the Fund for Small and Medium Industries, the New Entrepreneur Fund, the Special Fund for Overseas Project Financing and so on has been promoted as an access for SMEs to receive financial support. New market development loan by EXIM Bank and the Venture Capital Fund in agricultural sector were established and loans were made by such as Bank Negara Malaysia, SME Bank, Commercial Bank.</p>	<p>unknown in this survey</p>
<p>II-2 Tax system (1)</p> <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 	<p>Tax incentives include corporate tax exemption and investment tax credit (the incentives apply to general enterprises).</p> <p>There are some subsidies common to general enterprises and SMEs (the Technology Acquisition Fund, the Commercialization and R&D Fund). Such as the Industrial Technology Assistance Fund, the Skill Development Fund, the E-commerce subsidy, the Factory Auditing Scheme are only for SMEs.</p> <p>Especially, the Industrial Technology Assistance Fund established in 1990 is important. The Ministry of Human Resources has a subsidy similar to the Skill Development Fund.</p> <p>After the after-mentioned (II-4) VDP was transferred from the Ministry of Trade and Industry to Entrepreneur Development Agency (the current Ministry of Entrepreneur and Cooperative Development), the Ministry of Trade and Industry started independently a program similar to VDP. As the ministry introduced new tax incentive, the program became beneficial also to anchor enterprise (which is the enterprise that supports SME development).</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Malaysia	Myanmar
<p>II-2 Tax system (2)</p> <ul style="list-style-type: none"> •Capital investment •Succession of a business •Technology development •Other 		
<p>II-3 Provision of information, Human resource development, Environment, Consultation, Advice, Other</p> <ul style="list-style-type: none"> •Provision of information •Human resource development and training •Environmental measures •Other 	<p>SMIDEC (Small and Medium Industries Development Corporation) provides advisory service.</p> <p>In addition, it provides the Industrial Linkage Programme (ILP), Business Matching Expansion Program and so on.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Malaysia	Myanmar
<p>II-4 Support for securement of management resources of existing SMEs</p> <ul style="list-style-type: none"> • Support for research, development and technology • Support for response to IT • Support for industry-academia-government cooperation • Support for cultivation of market • Support for expansion in new area • Support for acquisition of ISO certification • Small and medium commerce promotion policies • Subcontracting enterprise promotion policies • Other 	<p>The Vendor Development Programme (VDP) is the policy introduced to extend linkage between large enterprises and SMEs. The target is Bumiputra enterprises.</p> <p>The VDP started with vendor development by Proton. It promotes procurement from Bumiputra SMEs.</p> <p>After that, a similar program has started since 1992 by 2 manufacturers of electric appliances.</p> <p>Government loan was made for these programs of 3 enterprises mentioned above.</p> <p>Although, since 1993, foreign enterprises centered around Japanese companies and local enterprises have become anchor enterprises (the enterprises that support SME development), after that private banks are in charge of loans.</p> <p>At first, the VDP was under jurisdiction of the Ministry of International Trade and Industry, but was transferred under the Ministry of Entrepreneur Development with its establishment.</p> <p>Then, not only manufacturing industry but all industries became the targets of the VDP.</p>	<p>unknown in this survey</p>
<p>II-5 Support for inauguration of business and ventures</p> <ul style="list-style-type: none"> • Support for inauguration • Venture development • Support for venture capitals • Tax system • Improvement of stock market for ventures • Other 	<p>Especially, the Venture Capital Fund was established in agricultural sector.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Malaysia	Myanmar
<p>II-6 Promotion of fair dealing and improvement of market related to SME</p> <ul style="list-style-type: none"> • Act against Delay in Payment of Subcontract Proceeds • Retail business coordination measures • Sectors coordination • Government and public demand • Alternative dispute resolution • Other 	unknown in this survey	unknown in this survey
<p>II-7 Local SME policies</p> <ul style="list-style-type: none"> • Promotion of Traditional and local industry • Support for formulation of industrial concentration/ cluster and reinforcement of foundations • Support for revitalization of local towns and development of the area • Support for NPO • Other 	<p>9 industrial parks were constructed in 1991-2000 with infrastructure development assistance. In these parks, facilities which all SMEs can use (such as product testing facility) are established.</p> <p>The Global Suppliers Program (GSP) was started in Penang State in 1998. The aim is to build up strategic partnership between multinational enterprises located in the state and regional SMEs.</p> <p>The Penang Skills Development Center established in 1989 became central to the GSP. It includes 2 programs; provision of 3 stages training by cooperation with multinational enterprises and fostering of particular regional SMEs by multinational enterprises.</p> <p>Then, the GSP came under the jurisdiction of the Small and Medium Industries Development Corporation (SMIDEC) and is expanding to other states.</p>	unknown in this survey

II Comparison of individual SME policies

	Malaysia	Myanmar
<p>II-8 Support for internationalization of SME</p> <ul style="list-style-type: none"> • Support for overseas investment • Promotion of trade • Provision of information • Other 	<p>Trade promotion organization Menara MATRADE, Jalan Khidmat Usaha, Off Jalan Duta, 50480 Kuala Lumpur, MALAYSIA</p> <p>General Tel: 603-6207 7077 General Fax: 603-6203 7037 and other General E-mail: info@matrade.gov.m http://www.matrade.gov.my/</p>	<p>unknown in this survey</p>
<p>II-9 Employment and labor policies related to SMEs</p> <ul style="list-style-type: none"> (1) Special treatment in employment (2) Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Malaysia	Myanmar
<p>II-10 Support for SME organization and network</p> <ul style="list-style-type: none"> • Chamber of commerce • Cooperative • Network support • Other 	<p>5 "chambers of commerce" organized by ethnic groups and types of industry exist separately and there is the National Chamber of Commerce and Industry of Malaysia as the organization to control these chambers formally.</p> <p>5 chambers are the Malay Chamber of Commerce, the Chinese Chamber of Commerce, the Indo Chamber of Commerce, the International Chamber of Commerce, and the Federation of Manufacturers Malaysia.</p> <p>Most of the chambers participate in the Chamber of Commerce Staff Training Project by JICA.</p> <p>Other donor supports concentrate overwhelmingly on the Federation of Manufacturers Malaysia.</p> <p>JETRO sends long-term expert of electrical and electronics field. Also, technical cooperation by European countries is active.</p>	<p>The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) was established as a federation in 1999 based on the Burmese Chamber of Commerce formed in 1919, following the several organizational changes.</p> <p>Competent authorities are the Ministry of Commerce, the Ministry of National Planning and Economic Development, the Ministry of Foreign Affairs, the Ministry of Home Affairs and the Ministry of Industry (1), but the lead ministry is the Ministry of Commerce.</p> <p>UMFCCI is a nonprofit organization based on section 26 of The Myanmar Companies Act.</p> <p>The number of members is about 15 thousands and the number of Myanmar incorporated enterprises is about 10 thousands.</p> <p>As the number of Myanmar incorporated enterprises is estimated about 30 thousands, about one third of them are the members.</p>
<p>II-11 Measures for small enterprise</p>	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Malaysia	Myanmar
II-12 Support for minorities and women	unknown in this survey	unknown in this survey
II-13 Safety net <ul style="list-style-type: none"> •bankruptcy-prevention •Corporate reorganization •Disaster preparedness •Other 	unknown in this survey	unknown in this survey
II-14 Other Noteworthy measures in each country	No special affairs	No special affairs

II Comparison of individual SME policies

	The Philippines	Singapore
<p>II-1 Finance</p> <ul style="list-style-type: none"> • Loan • Investment, Capital injection • Credit guarantee • Other 	<p>Small Business Guarantee and Finance Corporation</p> <p>There is a short-and-medium-term SME promotion program called National SME Agenda led by DTI.</p> <p>The pillar of the Agenda is a financial program called SULONG for short by which governmental financial institutions put special emphasis on SME finance with full-scale effort.</p> <p>5 institutions of the Development Bank of the Philippines, the Landbank of the Philippines, the SB Corporation, Quedancorp (agricultural finance), PhilExim (export-import finance) and NLSF receive loan application with unified application form.</p>	<p>The Standards, Productivity and Innovation Board (SPRING) is a leading organization which promotes transformation of domestic sectors and status improvement of SMEs.</p> <p>SPRING conducts management of the Local Enterprise Finance Scheme (LEFS) and the Local Enterprise Technical Assistance Scheme (LETAS).</p> <p>LEFS provides financing to support the expansion and development of new skills of SME.</p> <p>LETAS provides subsidy to support the SME's acquirement of executive skills.</p>
<p>II-2 Tax system (1)</p> <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 	<p>unknown in this survey</p>	<p>The Skills Development Fund was established in October 1979 aiming for upskilling of workers.</p> <p>According to the Fund, employer pays charge of 1% of monthly salary per worker with monthly salary of less than 2,000S\$ to the Central Provident Fund. SDF supports such as training programs for workers based on the fund.</p> <p>Main schemes and plans based on the SDF are;</p> <ul style="list-style-type: none"> • Training Assistance Scheme (TAS) • Total Company Training Plan (TCTP) • Skills Certification Plan (SCP) • Training Voucher Scheme (TVS) • Training Leave Scheme (TLS) • IT Training Assistance Scheme (ITAS) • SME Manager Scheme (SMS)

II Comparison of individual SME policies

	The Philippines	Singapore
<p>II-2 Tax system (2)</p> <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 		<p>33.33% of capital-investment spending occurred in most of factories and equipments is approved to be recorded as special depreciation reserve with 3 years depreciation.</p> <p>100% of capital-investment spending (write-off after 1 year) is recorded as for special depreciation reserve of computer or other prescribed automatic equipment, generator installed for electric power supply in case that ordinary power supply is impossible, robot, efficient pollution management equipment, recognized or authorized energy saving device..</p> <p>In addition, there is Double Tax Deduction Scheme.</p>
<p>II-3 Provision of information, Human resource development, Environment, Consultation, Advice, Other</p> <ul style="list-style-type: none"> • Provision of information • Human resource development and training • Environmental measures • Other 	<p>The Department of Labor and Employment (DOLE) runs vocational and technical training facilities called TESDA.</p> <p>Its main service is training and guidance of specific technology and it also has a entrepreneur fostering program.</p> <p>TESDA has 64 training centers throughout the country.</p>	<p>SPRING is an leading organization to promote change of domestic sectors and improvement of the status of SMEs.</p> <p>SPRING is the first contact for SMEs that need information and assistance for the improvement of the status.</p>

II Comparison of individual SME policies

	The Philippines	Singapore
<p>II-4 Support for securement of management resources of existing SMEs</p> <ul style="list-style-type: none"> • Support for research, development and technology • Support for response to IT • Support for industry-academia-government cooperation • Support for cultivation of market • Support for expansion in new area • Support for acquisition of ISO certification • Small and medium commerce promotion policies • Subcontracting enterprise promotion policies • Other 	<p>The Department of Science and Technology provides support mainly in technical field including loan program for replacement of facility.</p> <p>The department of Science and Technology has a service for SME popular under the nickname of Set-Up.</p> <p>Set-Up is an abbreviation of the Small Enterprises Technology Upgrading Program.</p>	<p>The Economic Development Board (EDB) which plans concrete policies is a core legal organization in the economic development field and its basic practices are attraction and promotion of investment and mutual adjustment between each development organization.</p> <p>The Standards, Productivity and Innovation Board (SPRING) aims for enhancement of productivity, improvement of growing economic strength and improvement of peoples' lives quality.</p> <p>Another critical role is to provide loans and technical assistance aimed at innovation of each domestic industry sector and status enhancement of SMEs.</p> <p>An important role of International Enterprise Singapore (IE) is to promote cooperation between domestic enterprises and foreign enterprises at expanding their business overseas.</p> <p>The Agency for Science & Technology and Research (A*STAR) is responsible for planning of science and technology policies, support for research institutes of industrial science and technology area and development of human resources.</p>
<p>II-5 Support for inauguration of business and ventures</p> <ul style="list-style-type: none"> • Support for inauguration • Venture development • Support for venture capitals • Tax system • Improvement of stock market for ventures • Other 	unknown in this survey	unknown in this survey

II Comparison of individual SME policies

	The Philippines	Singapore
<p>II-6 Promotion of fair dealing and improvement of market related to SME</p> <ul style="list-style-type: none"> • Act against Delay in Payment of Subcontract Proceeds • Retail business coordination measures • Sectors coordination • Government and public demand • Alternative dispute resolution • Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>
<p>II-7 Local SME policies</p> <ul style="list-style-type: none"> • Promotion of Traditional and local industry • Support for formulation of industrial concentration/ cluster and reinforcement of foundations • Support for revitalization of local towns and development of the area • Support for NPO • Other 	<p>Certain government affairs were transferred to Local Government Units by the 1991 Local Government Code.</p> <p>Industry promotion affairs are included, but main fields that LGU allocates budget with independent judgment are improvement of infrastructure such as roads, education and medical service.</p> <p>NGO provides various support to regional micro enterprises. It often supports technical field by training and guidance.</p> <p>It is often the case that it provides support on consignment from foreign donor institutions. It is part of the character that Philippine NGO often handles finance as one of its activities.</p> <p>This is because that NGO which has many contacts with regional micro enterprises is utilized for credit confirmation of borrower and recovery of funds after lending.</p>	<p>The Jurong Town Council Corporation (JTC) is a leading organization for development, planning and administration of high-quality industrial facilities and business parks.</p> <p>JTC has been main constructor in assistance for formulation of factoryscape in Singapore and growth of manufacturing industry since 1968.</p> <p>JTC has developed about 7,000 hectares of industrial site and about 45 million square meters of subdivision lots for sale.</p> <p>JTC manages 38 industrial and specialized parks including 3 wafer production parks, chemical products hub in Jurong Island and biomedical hub in Tuas.</p> <p>JTC is also the leading developer of new economic hub of 200 hectares in One-North, Buonavista which has research facilities, offices, housings, parks and educational institutes for entrepreneur, scientist and researcher.</p>

II Comparison of individual SME policies

	The Philippines	Singapore
<p>II-8 Support for internationalization of SME</p> <ul style="list-style-type: none"> • Support for overseas investment • Promotion of trade • Provision of information • Other 	<p>Trade promotion organization Center for International Trade Expositions and Missions</p> <p>Golden Shell Pavillion, Roxas Boulevard cor. Senator Gil J. Puyat Avenue, 1300 Pasay City, Philippines</p> <p>Tel. (632) 831-2201 to 09 Fax. (632) 832-3965 and other E-mail: info@citem.com.ph http://www.citem.com.ph/index.asp</p>	<p>The International Enterprise Singapore (IE) takes over the responsibility for assistance to overseas presence of SMEs in Singapore from the Singapore Productivity and Standard Board (SPB). (See II-14)</p> <p>As part of its services, IE attracts enterprises of U.S.A., European countries, Japan and other countries to make Singapore their business base and promotes enhancement of Singapore's status as an SME hub.</p> <p>By this, it becomes possible for SMEs to cooperate with international enterprises in Singapore and attract venture business to this area.</p> <p>These new roles are beyond past role of the Trade Development Board (TDB) in trade promotion.</p> <p>The Regionalization Finance Scheme (RFS) is a finance scheme established with the aim of assistance for local enterprises to set up overseas bases.</p> <p>RFS is managed by Economic Development Board (EDB) and banks in Singapore which participate in the scheme provide loans.</p>
<p>II-9 Employment and labor policies related to SMEs</p> <ul style="list-style-type: none"> (1) Special treatment in employment (2) Other 	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	The Philippines	Singapore
<p>II-10 Support for SME organization and network</p> <ul style="list-style-type: none"> • Chamber of commerce • Cooperative • Network support • Other 	<p>There is the SME Committee in Philippine Chamber of Commerce and Industry (PCCI) . It has a post of vice chairman responsible for SMEs.</p> <p>The number of registered SMEs in the whole country is about 810 thousands and the number of the PCCI members is about 20-25 thousands.</p> <p>Of them, about 1,700 enterprises are directly under the PCCI.</p> <p>Canada and Germany provide assistance for functional enhancement and projects. They often provide assistance directly to the regions. In addition, there are training programs by JICA and other organizations.</p>	<p>There is the Singapore International Chamber of Commerce. The Chamber publishes "The Investor's Guide to Singapore 2002" (in English) . The ASEAN-Japan Centre and the Economic Development Board (EDB) publish it in a Japanese version.</p>
<p>II-11 Measures for small enterprise</p>	<p>University of the Philippines Institute for Small Scale Industries (UP-ISSI) is an institute for small enterprises. It started as a technical support project by the Netherlands in the mid-1960s.</p> <p>10 years later, in 1976, the Small Enterprises Research and Development Foundation (SERDEF) was established to improve financial basis of ISSI's activities.</p> <p>These two organizations make efforts cooperatively for SME development.</p> <p>Principal activities are research and studies about SME, creation, implementation and consultation of program for entrepreneur training.</p> <p>They built up the SME counselor qualification system in APEC conferences suitable for Canada and all of the APEC nations.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	The Philippines	Singapore
II-12 Support for minorities and women	TESDA Women's Center (TWC) is established in the Technical Education and Skills Development Authority (TESDA) which the Department of Labor and Employment (DOLE) runs.	unknown in this survey
II-13 Safety net <ul style="list-style-type: none"> •bankruptcy-prevention •Corporate reorganization •Disaster preparedness •Other 	unknown in this survey	unknown in this survey
II-14 Other Noteworthy measures in each country	One of the 10-point Agenda of Arroyo government made in June 2004 is the creation of 6 million employment in next 6 years through threefold increase of loans for SME and development of agricultural land of 1-2 million hectares.	IE Singapore 230, Victoria Street, 7th Floor, Bugis Junction Office Tower, Singapore 188024 Local: 1800-IESPORE Overseas: +65 6337 6628 http://www.iesingapore.gov.sg/wps/portal

II Comparison of individual SME policies

	Thailand	Viet nam
<p>II-1 Finance</p> <ul style="list-style-type: none"> • Loan • Investment, Capital injection • Credit guarantee • Other 	<p>Small and Medium Enterprise Development Bank of Thailand, Small Industry Finance Corporation, Small Business Credit Guarantee Corporation</p>	<p>There is no policy-based finance for SMEs, only the Donor Support Fund exists.</p> <p>State-owned Commercial Banks provide financing mainly for state-owned enterprises. The Commercial Joint Stock Banks incline their financing target to private sector, but the loan balance is small.</p> <p>As for the Credit Guarantee Fund that complements the environment of fund procurement of SMEs, there is a law which stipulates the establishment of the fund. However, only 3 funds exist (the establishment in 64 preferences is expected in the law).</p>
<p>II-2 Tax system (1)</p> <ul style="list-style-type: none"> • Capital investment • Succession of a business • Technology development • Other 	<p>Tax system is complicated and wide-ranging. We introduce a part of it here just for reference.</p> <p>SME with paid-up capital of less than or equal to 5 million bahts at the end-of-the-financial-year has been taxed less since the fiscal year started from 1 January 2002 by the Royal Decree No.394, 26 January 2002. Additionally another tax reduction has been made since 1 January 2004 by the Royal Decree No.431, 21 January 2005.</p> <p>There are also other tax systems such as extraordinary depreciation for SME, SME tax system by BOI and venture capital tax system to promote investment in SMEs.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Thailand	Viet nam
<p>II-2 Tax system (2)</p> <ul style="list-style-type: none"> •Capital investment •Succession of a business •Technology development •Other 		
<p>II-3 Provision of information, Human resource development, Environment, Consultation, Advice, Other</p> <ul style="list-style-type: none"> •Provision of information •Human resource development and training •Environmental measures •Other 	<p>SME Management consulting project carried out from 2000 to March 2004 is getting generalized in Thailand and neighboring ASEAN countries as one of the best practice of support for SME policies.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Thailand	Viet nam
<p>II-4 Support for securement of management resources of existing SMEs</p> <ul style="list-style-type: none"> • Support for research, development and technology • Support for response to IT • Support for industry-academia-government cooperation • Support for cultivation of market • Support for expansion in new area • Support for acquisition of ISO certification • Small and medium commerce promotion policies • Subcontracting enterprise promotion policies • Other 	<p>As SME promotion involves a wide-ranging field such as technology and management, many experts and organizations are utilized in the measures which has been implemented since 1999.</p> <p>Therefore it is regulated to establish the Small and Medium Enterprises Promotion Committee led by the Prime Minister as a chairman and the Minister of Industry as a vice chairman.</p> <p>The committee consists of the Minister of Finance, the Minister of Agriculture and Cooperatives, the Minister of Commerce, Vice Minister of Labour and Social Welfare, Vice Minister of Science, Technology and Environment, Vice Minister of Industry, Director-General of National Economic and Social Development Board, Director-General of Board of Investment, Chairman of Thai Chamber of Commerce, Representative of the Federation of Thai Industries and less than 12 academic experts.</p> <p>Also the Office of Small and Medium Enterprises Promotion and its Management Board are established.</p>	<p>"SME Technical Assistance Centre Project" has started.</p> <p>In the future, it is expected to implement effectively the technical assistance for SMEs, building up organic link with existing technical assistance organizations (such as Hanoi University of Technology, organizations under the Ministry of Science and Technology, institutes under Ministry of Industry) , while the Centre acting as a leader.</p>
<p>II-5 Support for inauguration of business and ventures</p> <ul style="list-style-type: none"> • Support for inauguration • Venture development • Support for venture capitals • Tax system • Improvement of stock market for ventures • Other 	<p>In case that a venture capital acquires capital in a SME (with less than or equal to 200 million bahts of fixed assets except land and less than or equal to 200 employees) , an exemption is allowed from corporate income tax on dividend from the SME and on capital gain by stock transfer. This measure has been launched since 31 January 2002 by Royal Decree No. 396. The decree was partially amended by the Royal Decree 442, 14 November 2005.</p> <p>As for dividend from stock of the venture capital and capital gain by stock transfer, if they are concerned with investment into SME, an enterprise is exempted from corporate income tax.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Thailand	Viet nam
<p>II-6 Promotion of fair dealing and improvement of market related to SME</p> <ul style="list-style-type: none"> • Act against Delay in Payment of Subcontract Proceeds • Retail business coordination measures • Sectors coordination • Government and public demand • Alternative dispute resolution • Other 	unknown in this survey	unknown in this survey
<p>II-7 Local SME policies</p> <ul style="list-style-type: none"> • Promotion of Traditional and local industry • Support for formulation of industrial concentration/ cluster and reinforcement of foundations • Support for revitalization of local towns and development of the area • Support for NPO • Other 	<p>Supports for development of specified SME included in a industrial cluster which takes root in each area of Thailand are implemented.</p> <p>For example, SMEs in agricultural, handicraft, fashion, textile, tourism, ICT and other industries are objects of the support in upper north area.</p> <p>Meanwhile, famous "One Tambon One Product (OTOP) Scheme" is considered to be included in micro enterprise promotion.</p>	unknown in this survey

II Comparison of individual SME policies

	Thailand	Viet nam
<p>II-8 Support for internationalization of SME</p> <ul style="list-style-type: none"> • Support for overseas investment • Promotion of trade • Provision of information • Other 	<p>Trade promotion organization Department of Export Promotion (DEP), Ministry of Commerce, Royal Thai Government Bangkok headoffice, Rachadapisek Office:</p> <p>22/77 Rachadapisek Road, Chatuchak, Bangkok 10900 THAILAND</p> <p>Tel: (662) 511-5066-77 Fax: (662) 512-2670 E-mail: iticdep@depthai.co.th http://www.thaitrade.com</p> <p>and other</p>	<p>Trade promotion organization Hanoi Head Office 20 Ly Thuong Kiet st., Ha Noi, Viet Nam</p> <p>Tel: 84-4-9347628 and other Fax: 84-4-9344260 and other E-mail: vietrade@vietrade.gov.vn Website: http://www.vietrade.gov.vn</p> <p>and other</p>
<p>II-9 Employment and labor policies related to SMEs</p> <p>(1) Special treatment in employment (2) Other</p>	<p>unknown in this survey</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Thailand	Viet nam
<p>II-10 Support for SME organization and network</p> <ul style="list-style-type: none"> • Chamber of commerce • Cooperative • Network support • Other 	<p>As SME policy involves a wide-ranging field such as business management, technology, finance and loan, not only the related ministries and agencies centered around the Ministry of Industry but also many relevant organizations like the Thai Chamber of Commerce, the Federation of Thai Industries, the Small Industry Finance Corporation, the Credit Guarantee Association and other financial institutions take part in its implementation.</p>	<p>As a SME assistance cooperation organization, the Vietnam Chamber of Commerce and Industry (VCCI) aims at the development of domestic private enterprises and has 7 committees and 8 internal subdivisions (including SME Promotion Centre).</p> <p>In the country, there are 5 branch offices in Ho Chi Minh, Da Nang, Hai phong, Can-tho and Ba Ria-Vung Tau.</p> <p>Other cooperation organizations are such as Vietnam Japanese Human Resource Cooperation Center (VJCC), the Hanoi Industrial College (HIC), the Directorate for Standards and Quality (STAMEQ; quality standard management organization under the Ministry of Science and Technology), the Quality Assurance and Testing Center (QUATEST), the SME Development Center (SMEDEC) (QUATEST and SMEDEC are subordinate organizations of STAMEQ), the Ministry of Industry and the Ministry of Science and Technology.</p>
<p>II-11 Measures for small enterprise</p>	<p>Although "the Small Industry Finance Corporation" and "the Credit Guarantee Association" were established in 1991, they haven't been utilized actively because of the limited capital and other reasons.</p> <p>Capital increase was decided in the General Economic Measures of October 1999.</p>	<p>unknown in this survey</p>

II Comparison of individual SME policies

	Thailand	Viet nam
II-12 Support for minorities and women	unknown in this survey	unknown in this survey
II-13 Safety net <ul style="list-style-type: none"> •bankruptcy-prevention •Corporate reorganization •Disaster preparedness •Other 	unknown in this survey	unknown in this survey
II-14 Other Noteworthy measures in each country	Strengthening of the role of the Small Industry Finance Corporation and other activities were made by "Mizutani Mission" in 1999.	Vietnam Marketization Support Development Research Project was made by Japanese economists group including Prof. Shigeru Ishikawa of Hitotsubashi University and economists of the Vietnamese government for 6 years from 1995.