

Global Value Chains and Small and Medium Enterprises: Challenges and Growth in the Developing Countries

Abdullah Aldawsari*

Faculty of Business and Law, Swinburne University of Technology, City Melbourne, Australia

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Abstract: The study aimed to develop a proposed vision through which a set of mechanisms can be used through which to overcome the challenges facing small and medium enterprises to achieve the desired benefits from joining global value chains; In order to achieve, the descriptive analytical approach was used through the presentation and analysis of studies and literature in the field of study in order to reach the challenges facing small and medium enterprises in developing countries, and to identify the concept of global value chains and all aspects associated with it, in addition to shedding light on the opportunities available for the growth of small and medium enterprises. Upon joining the global added value, and identifying the most prominent obstacles that limit the achievement of this growth.

Keywords: Global Value Chains, Small and Medium Enterprises, the Challenges of Small and Medium Enterprises.

1 Introduction

Small and medium enterprises as an internal investment force are among the pillars of economic and social development in countries of all kinds, whether developed or developing. Due to its activities in various economic sectors, to achieve economic diversification, and its ability to easily engage in the social and economic activities of large companies in a profitable integrated system at the international level. It also has a leading role in employment in all economic sectors as well as in all geographical areas; Which helps in increasing the volume of productivity and the volume of sales, and this, in turn, contributes to raising the wheel of the national economy; Therefore, many of these countries are looking for ways to develop and support these institutions, whether inside or outside the country (Ferreira, Martin & Phillippe (2010), Kamal-Chaoui, 2017) and (Adeyemo & Michael, 2012) indicated that small and medium enterprises are the engine of growth. The economic impact on the world cannot be underestimated. Qassem (2007) also referred to its ability to create a competitive advantage and advance the national economy.

Small and medium enterprises can achieve economic development if they are provided with the right environment and financing to prove themselves. It represents the basic building block of high economic edifices. By participating in what is known as "global value chains" (GVCs), which grew at a rapid pace in the 1990s and led to a rapid shift in many countries from poverty to catching up with richer countries such as China,

Vietnam, and Bangladesh, these gains were made as a result of the fragmentation of commodity production between many countries and the growth of links between SMEs and large corporations; It is a production pattern spread over several countries. Each company specializes in a particular task, and not all merchandise is produced. For example, some companies provide raw materials, others manufacture parts and components of semi-finished goods, companies manufacture and produce the finished product, etc. Thus, countries can specialize in the production of certain parts or complete certain tasks, helping to provide capital and knowledge. Qassem (2007) indicates that global value chains are one of the most important opportunities provided by the external environment for the advancement of the economies of countries, especially developing countries, by integrating them with their partners, in a way that enables suppliers of local small and medium enterprises to enhance management skills, improve product quality and bring about a process of innovation in production; Therefore, most countries seek to integrate into it due to its increasing importance.

Linking to global value chains leads to the development of regional or local value chains through intermediary commercial or industrial participation to produce goods or services in another country. income; Therefore, global value chains constitute 50% of the total international trade, according to the World Bank report (2020). Economies achieve success and love by engaging in the economic system in a way that diversifies the global economy and ensures the achievement of the goals of achieving them successfully and complementary investments. The benefits of integration in global value chains are not limited to that

*Corresponding author-mail: Am3332am@gmail.com

only, but also extend to a more profound picture in realizing the benefits to weak economies that do not that do not have a developed economic structure to quickly realize any shortcomings and gaps in the economic structures. The level of local per capita has improved, large numbers of expressive images of African countries that have overcome their economic gaps by opening factories within the value chain of China, and Asian industries are a successful model in the distribution of regional industries between countries and the final product of the group of countries and the final product predetermined (Al-Shehri, 2022). Global trade in the field of services to achieve better levels and gain global trade. You can have money in future regions, you can invest their money, in addition to the possibility of investing and exposing them to their expertise in the aviation industry (Gereffi, 1999).

Despite the many advantages and benefits of global value chains, they carry some negatives for developing countries. As the more developed tasks such as manufacturing industries, advanced services, and innovation activities in value chains are entrusted to companies in major countries because they need skills and capabilities many developing countries that provide primary commodities or limited manufacturing, which may continue to carry out those tasks only as they may. It affects the market power and the competitiveness among them, in addition to that, it often leads to an unfair distribution of profits. The type of country links to global value chains is determined by several factors: the extent to which it participates in those chains, its specialization in trade for each sector in that country, and the innovation measures it has introduced. The per capita income in developing countries is linked to the extent of the country's participation in global value chains; It is estimated that a 1% increase in participation in global value chains increases per capita income by more than a percentage point, or much more than the income gains arising from traditional trade. In global value chains, the more it shifts from a lower stage to a higher stage, the greater its cumulative share of this output is (Borin & Michele, 2019).

Problem of the Study

Small and medium enterprises are one of the most important causes of economic and social development in developed and developing countries (Adeyemo & Michael, 2012; Luiz, 2019). The emergence of global value chains has offered developing countries new opportunities to integrate into the global economy. This has fundamental impacts on where jobs go, who gets them, and what type of jobs they are. Significant parts of the developing world are deeply involved in GVCs. Their input has been initially concentrated in labor-intensive activities, which may have had important impacts on poverty in developing countries (The World Trade Organization, 2019). Therefore, many countries have paid special attention to them because of their many benefits and importance in the industrial and economic field, and the resulting increase in productivity

and income (Borin & Michele, 2019). For example, the SMEs play an important role in Asia-Pacific economies in terms of employment and value added, despite the disadvantages of both size and relative sophistication of their operations. However, estimates of their actual contribution to their respective economies in the region vary greatly (see, for example, estimates from the Asian Productivity Organization in table 12). In general, SMEs are seen as supporting competitive and flexible markets through relative ease of entry and exit, and through their role as subcontractors, which supports the restructuring of both public and private enterprises in the region. They are also seen as making important contributions to poverty alleviation, since SMEs often employ poor and low-income workers, frequently providing the primary source of income in lagging regions and rural areas. These projects are not underestimated in building the global economy,

Table 1: SMEs among total enterprises, contribution to employment, and total value added, in selected Asia-Pacific economies.

	Ch in a	In di a	Indo nesi a	Ja pa n	Mal aysi a	Tha ilan d	Phill ippin es	Ko rea
SME Establi shment s	99. 7	95 .0	99.9	99. 0	94.0	98.0	99.6	99. 0
Emple yment	74. 0	80 .0	99.0	88. 0	40.4	55.8	69.1	69. 0
Value Added	60. 0	40 .0	63.1	56. 0	26.0	47.0	32.0	46. 0

Source: Mark Goh, "High-growth, innovative Asian SMEs for international trade and competitiveness: challenges and solutions for APO member countries" (Tokyo, Asian Productivity Organization, 2007), p. 3, available at www.apo-tokyo.org/rr_papers/index.htm.

The SMEs are exposed to many challenges, including economic, social, and cultural ones (Ponte & Ewert, 2009), especially when they join global value chains (Singh; Gang; & Deshmuck, 2010). For example it is even more important that local SMEs become more relevant to multinationals, and be able to offer the kind of cost-saving and efficiency benefits that make offshoring economical. Domestic SMEs will need to offer clear advantages that create value for multinationals in order for them to be included in the production networks of MNEs. Also, a key challenge for SMEs is to find ways to upgrade over time (for example through product and process innovation) within value chains in order to gain pricing power and flexibility and to add value (United Nations, 2009); Therefore, these obstacles must be identified, and the search for mechanisms that can succeed in overcoming these obstacles in preparation for achieving growth in global value chains for higher stages that achieve more

added values. The problem of the study can be expressed through the following Research questions:

1. What are the challenges facing small and medium enterprises in developing countries?
2. What is the role of global value chains in achieving the growth of small and medium enterprises in developing countries?
3. What are the obstacles facing the growth of small and medium enterprises in developing countries when joining global value chains?
4. What is the proposed vision for mechanisms to overcome the challenges facing the growth of small and medium enterprises when joining global value chains?

Objective of the Study

The study aims to:

1. Identifying the challenges facing small and medium enterprises in developing countries.
2. Shedding light on the concept of global value chains and all aspects associated with it.
3. Clarify the opportunities available for the growth of small and medium-sized enterprises when they join the global added value and identify the most prominent obstacles that limit the achievement of this growth.
4. Develop a proposed vision through which a set of mechanisms can be used through which to overcome the challenges facing small and medium enterprises to achieve the desired benefits from joining global value chains.

Significance of the Study

The Significance of the Study can be Summarized as follows: it deals with a vital topic, which is the challenges facing the involvement of small and medium enterprises in developing countries in global value chains and limiting their growth in that chain, which results in achieving economic diversification and the consequent economic and social growth for developing countries, employment of the workforce and an increase in the rate of income. The individual in these countries, which is in dire need in this era of economic crises, especially after the aftermath of the Corona pandemic, especially since there are very successful experiences of developing countries that have achieved rapid and successive economic leaps in short periods after the involvement of their small and medium enterprises in this type of economy global mega.

Study Methodology

The choice of study method is It is not subject to the researcher's personal choices, but rather to the nature of the topic and its objectives; Therefore, the researcher relied on the descriptive-analytical method; Because it fits with the

nature of the research by clarifying concepts and data, analyzing them, and linking them to reach scientific results.

Study Terms

The researcher defined the search terms procedurally in this part, and dealt with them in detail in the body of the research as follows:

1-Small and Medium Enterprises:

They are those projects that cannot produce or manufacture goods that achieve a brand through which they can enter the international competition on their own.

2-Global Value Chains:

A new economic philosophy in the field of a partnership between companies at the global level has led to major transformations in the field of international and global trade; Where international and global trade moved from a trade that helps in the sale of goods and services to a trade that helps in the manufacture of goods and services through the fragmentation of industries among many companies from various countries in a production chain.

Study Procedures

The research was conducted in two sections: The first reviewed the theoretical framework of the research, and the Second topic presented a proposed conception of mechanisms to overcome the challenges facing the growth of small and medium enterprises when joining global value chains.

Literature Review

This framework was presented according to a logical sequence that goes towards achieving the objectives of the study in line with the sequence of its questions and objectives. It included two axes: The first dealt with the nature of small and medium enterprises and discussed the most important challenges facing their success, survival, and continuity in the labor market in light of the competitive forces of giant and global projects. The second reviewed the concept of global value chains and their role in the growth of small and medium enterprises in developing countries and the achievement of economic growth for these countries, and the obstacles facing the growth of these enterprises when they engage in global value chains.

1. Small and Medium Enterprises Concept

Small and medium enterprises are considered the backbone of national economies in all countries, regardless of their level of income. This is evidenced by their historical and important role in economic progress in many developed and emerging countries now, and the fact that large industries are mostly capital-intensive industries that need imported technology, a high level of employment and management, and need a structure Good basic, huge markets (Saddle, 2006). The importance of small projects and the role they can play is that they are characterized by their spread, as they constitute approximately 90% of the establishments in the world and employ between 50% - 60% of the workforce in the world (Al-Mahrouq, interview 2006). Recent empirical studies such as Ayyagari study

have shown; Beck & Demirgüç-Kunt (2003) that SMEs contribute more than (55%) of GDP and more than (65%) of total employment in high-income countries, and SMEs and informal enterprises account for more than that (60%) of GDP and more than (70%) of total employment in low-income countries, while they contribute more than (95%) of total employment and about (70%) of GDP in middle-income countries, and the relative importance of small businesses is related to middle-income countries and the informal sector (shadow economy) adversely affect economic growth in low-income countries, particularly in less developed economies; Where the contribution of informal SMEs to employment and GDP is less than that of the formal sector, leaving a great majority of the poor in a poor standard of living; Therefore, an important priority policy must be taken in developing countries, which is to reform policies that divide the formal and informal sectors to enable the poor to participate in markets and engage in higher value-added business activities. In middle-income countries, formal SMEs contribute about 20% more to employment and GDP than informal enterprises. Thus the factors that discourage informal institutions in these countries have been eliminated.

Latha & Murthy (2009) study also found that small businesses contribute about 46% of global GDP and point out the different reasons for interest in small and medium enterprises between developed and developing countries; They mention that developed countries are interested in these projects because of their role in feeding major projects with intermediate products while developing countries are interested in them as measures of economic reform and reducing the state's role in investment. It is also not possible to deny the role that industry plays in the progress of countries and the prosperity of their economic development, and this, in turn, supports and increases the importance of the role of small and medium industrial enterprises. As it acts as a basic link in the industrialization cycles, most developing countries work to focus on it and increase interest in it, due to the technical and skill conditions with which these projects have suffered for a long time in these countries, which weakened their real vital role in advancing production and industrialization and led to many of them failed in industrialization and development experiments (Dallago, 2012).

2. The definitions of small and medium enterprises:

There is no specific definition for them in all countries Where it varies from country to country; It is either approved, stipulated by law, as in the United States, Japan, and Algeria, or an administrative definition, such as Germany and the Netherlands, or agreed upon by international organizations such as the World Bank, the European Union, and others. The definition also varies from time to time as well as from one field to another and from one country to another according to its progress; What is considered a project at one time may not be considered so at a later time, and what is considered a small

project in a large country such as the United States, may not be considered so in a developing country that is taking its first steps in the process of economic development, and what is considered a small project in a field such as artificial intelligence may not. It is also considered in the field of other industrial projects such as electrical appliances.

A study by "The Georgia Institute of Technology" showed that there are about (75) different definitions of small businesses in (75) countries (Al-Wadi, 2005); Therefore, the definition of small and medium enterprises will remain different and it is difficult to define them accurately due to the different definitions in different countries as well as the different criteria by which the size of the project is determined and the statistical data that is used to define it (Ayyagari, Beck & Demirgüç-Kunt, 2003).

The definition of small or medium enterprises depends on several criteria, including the number of workers, the size of the capital, or a mixture of both criteria, the volume of sales, the added value, or according to functional characteristics such as the type of management, specialization, production methods, or market trends (Al-Bandari, 2017), and some studies added the technology criterion used and the criterion of sales volume in addition to the legal criterion as a basis for classifying small projects (Al-Beltagy 2005), some of which depend on the annual sales criterion for the small project (Abu El Fahem, 2009) or other criteria. (Gray & Gamser, 1994) indicated that it is preferable to use the number of employees criterion to determine the size of the facility rather than relying on the size of the assets and the added value, and accordingly, there are many definitions of small and medium enterprises, for example:

The "World Bank" defined it on a basis that depends on a criterion based on the number of workers as being called small enterprises if they employ less than 50 workers." In the United States of America, Italy, and France, companies are considered small or medium if they employ less than 500 workers (Asasen & Chuangcham, 2003). And the "European Commission" (1996) defined it as independent institutions that take any legal form, engage in economic activity, and employ most: small enterprises (49), and medium enterprises (249) employees, while the maximum number of businesses in small enterprises is (7 million). euros), medium (40 million euros). Whereas, the United Nations Industrial Development Organization defines it as those projects that are managed by the owner and take care of all its dimensions, and the number of workers in them ranges between 10-50 workers (Mohammed, 2016). The Organization for Economic Cooperation and Development also defined it as Any institution with a maximum of \$4.2 million in assets, excluding land and working capital, with many employees not less than 10 or more than 300 (OCED, 2001). Many countries in the world use this standard to define small and medium enterprises. In the United States of America, Italy, and France, a facility is considered small and medium if it employs up to 500 workers, in Sweden up

to 200 workers, in Canada and Australia up to 99 workers, while in Denmark it is the establishment that employs up to 50 workers. (Al-Mahrouq and Ihab, 2006), and in "England" it is defined as the projects in which (200) workers (Abdel-Nabi, 2014).

Small enterprises in India are defined according to two classifications as follows (Ahmed; Eid, 2014):

- 1- Modern small projects: These are projects that run on electric energy, such as textile-making -1- projects on electric looms.
- 2- Traditional Small Enterprises: These are small projects operating in the countryside (V.S.I) called projects, which mean. (Village & Small Industries).

As for the Arab countries, the small enterprise in Saudi Arabia is defined as that which is determined by less than 25 workers, and less than 125 in medium enterprises (Gibreel, 2002). In "Egypt" it is a project that employs a small number of workers (1-10) workers, with a simple level of the administrative organization compared to similar large activities in the same activity, does not require high skills, uses appropriate simple technology, and often exists in an environment He uses his raw materials from it or near it, and his capital is (5000: 25000) pounds (Fadil, 2020).

At the lower end of the SME sector, a large number of countries define a group, which is a mixture of self-employment and "micro" firms, with fewer than 10 employees. Regardless of the level of development of the economy, a large proportion of micro-enterprises, sometimes small, are in the informal sector or the so-called shadow economy (Ayyagari, Beck, & Demircuc-Kunt, 2003)

3. Importance of small and medium enterprises:

small and medium enterprises are the focus of the attention of targeted industrial policies, as they have several considerations related to their economic and social characteristics, and are of great importance in supporting the economy and helping to achieve sustainable development in its economic, social and human dimensions; It is characterized by its geographical spread, especially in rural and remote places, which use the available means to set up the project, which helps to reduce regional disparities, in addition to solving the problem of unemployment by providing many job opportunities without the conditions of high skill and efficiency, it contributes to the employment of young people at a relatively low cost if it was compared to the cost of work positions in major institutions in return for raising their skills and productivity and teaching them skills that would help them find better jobs in the future. This would be an element of temptation to accept small salaries (Mkhaimer, Abdel Halim, 2005); It does not need advanced technology, so it can adapt to the prevailing political and economic conditions and rely on labor (Zagheib; Issawi, 2002). In addition, from the economic side, its multiplicity leads to

an increase in its effectiveness in solving some problems of the national economy (Al-Qishi; Al-Abadi, 2014), and This attests to the economic history of this type of institution recognizing its ability to adapt to various developments (Abdul Baqi, 2011).

It also works to resist the rise in foreign exchange prices by relying on local productive resources, which contributes to reducing imports (Khouni, Hassani, 2008), provides suitable goods for low-income people in proportion to their purchasing capabilities, increases the purchasing process, and supports the economy; As the ease of distributing the products of these institutions reduces storage costs, which leads to the marketing of goods to the consumer at the lowest possible cost. And it can produce a variety of commodities that can be exported or substituted for the imported ones at a low cost and create added value in goods and services.

This is in addition to the fact that it works to reduce inflation by operating personal savings and investing money and using it in production, in a way that raises the level of savings and investment through the mobilization of capital from people (Djilali and Boukhbza, 2014).

Small and medium enterprises are classified according to several bases: (Normah, 2006).

- a) Traditional projects: They are characterized by the shallowness of their economy, size and productivity, and the low efficiency of their workers.
- b) Pioneering projects: characterized by the efficiency and skill of businessmen, good practice, and risk-taking in economic activities and capital investment.
- c) Productive projects: They are characterized by increasing the value of outputs and transforming raw materials into a direct product to the consumer.
- d) Service projects: performing services for the client, saving him time and effort, and performing them on his behalf.
- e) Commercial projects: are based on buying and selling and investing profit, regardless of the type of product, the countries involved in the details of its manufacture.

4. The characteristics of small and medium enterprises:

The characteristics of small and medium enterprises are characterized by several characteristics that contributed to increasing their importance and focusing on them as a basis for upgrading the economies of developing countries, which are represented (Abdul-Muttalib, 2007; Abd al-Muttalib, 2011; Adeyemo & Michael, 2012:

- a) The owner of the facility is often its manager; Where who manages the technical and administrative operations.
- b) It does not depend on capital for the establishment of projects, but on private savings; The available sources of project financing are limited, the

alternatives offered are few, and sufficient guarantees are not available when requesting financing from banks.

- c) It depends on primary local raw resources that require simple technology.
- d) It is considered one of the fertile areas for the development of innovations and serious ideas, as it promotes innovation and technology development.
- e) It is a training center for workers who have no previous work experience; It provides job training opportunities to improve skills and capabilities.
- f) Low risk of investing in it.
- g) It generates great job opportunities, and it works to reduce poverty and create wealth through income distribution and the reduction of income disparities.
- h) The possibility of linking to other medium and large projects as feeding projects.
- i) Its ability to develop new urban communities.
- j) Take sole or joint legal form.
- k) It is easy to change his activity because of his flexibility.

5. The Challenges facing small and medium enterprises:

Despite the benefits and facilitation of globalization and trade liberalization for small and medium-sized companies (SMEs), which provided new opportunities, it was also accompanied by new **challenges** imposed by globalization on the business community; Therefore, only a small part of the SME sector can identify and exploit these opportunities and deal with the challenges associated with globalization. Yet the majority of SMEs in developing countries and countries in transition have also been less able or unable to exploit the benefits of globalization; As a result of facing many challenges, which are the constant pressures to reach new sources of growth, in an environment characterized by many variables related to globalization, market liberalization and increased competition, there has become an increasing need within organizations to move towards continuous improvement in the face of these changing conditions through more innovations. And innovations in products and services even in the necessary administrative and technical procedures. Whereas creativity and innovation are human intellectual products; In light of these changes, some institutions have tended to identify the basis for changing the traditional view directed at the human element as a mere machine that receives instructions and executes orders, based on developing its behavior and characteristics and transforming it into a trained and motivating element with various skills that allow him to participate in his opinions and suggestions, express his desires and assume responsibilities Responsible for it (Fadel, 2020).

According to the challenges noted at the Second OECD Conference of Ministers Responsible for Small and Medium Enterprises in Istanbul (2004) in putting pressure on local markets from cheaper imports and foreign

competition, they are particularly constrained by uncompetitive real exchange rates, in addition to their small financial size; Its inability to provide adequate financing, limited access to financing and cumbersome bureaucratic procedures in setting up, operating and developing businesses, poor infrastructure, and a lack of effective institutional structures. As indicated by the Ayyagari study Beck and Demirgüci-Kun (2003) refer to a set of challenges related to the ecosystem linked to the lack of a unified law for small and medium enterprises that defines and regulates their work and provides them with facilities in the areas of financing and licensing and their lack of association with associations that care for their interests; This made them operate individually, and reduced their competitive opportunity in the market. It also led to a rise in the prices of production inputs compared to large projects, in addition to the lack of transportation, public services, infrastructure, water and electricity services, storage, and waste disposal. And the lack of balance in the regional distribution of small projects, as these projects are monopolized by places rather than others, confirms the lack of justice in the distribution of investments for these projects among the regions of one country, and the bank's support is limited to financial support without technical support, and the borrowing methods are not suitable for the conditions of small projects. as a result of the problem of the lack of sufficient guarantees, in addition to the lack of banking awareness among the owners of these projects, which makes them prefer to borrow from the informal credit market, which has high-interest rates. And the weak presence of auxiliary companies specialized in supporting these projects, such as companies to market the products of these projects.

Companies organizing and holding exhibitions, the weakness of the absorptive capacity of the markets, and the weakness of the export infrastructure. Al-Sayyad (2006) also pointed out a set of challenges due to the nature of the internal environment of small and medium enterprises represented in the lack of knowledge of a large proportion of the owners of these projects with the technical and economic information related to materials, machinery, and quality, which leads to their use of either obsolete equipment that leads to low production rates and a low-quality level Also, or to the use of advanced equipment with a relatively large investment and high operating cost, in addition to their weak administrative, organizational, and marketing capabilities, lack of training, and lack of access to advisory and auxiliary services to them, which leads to a high cost of production, and weak local and external marketing capabilities, especially with no Availability of information on market needs, consumer details and product specifications, the lack of many projects of the concept of production planning, the failure to choose the appropriate level of technology, and the lack of many of them with basic concepts of quality as a result of lack of familiarity with quality control systems and systems of local and international standards and specifications, which leads to the production of non-conforming goods that do not Small

businesses can market and sell them. About matters related to accounting, there is a lack of accounting awareness among the owners of these projects, either because they are not aware of the rules and principles of accounting, or because they have no experience in this field. This leads to most of them resorting to external accounting offices; To prepare the final accounts, which costs the project a lot of expenses, in addition to the multiplicity and diversity of tax problems.

Al-Qishi's (2010) study also found that most of the provisions of the conceptual framework of accounting are absent in the accounting information system working in small and medium-sized enterprises; Which may lead to some negative effects, such as relying on inexperienced accountants and selecting them based on low wages. Also, the inability of these institutions to possess a solid financial structure, thus making them susceptible to any economic shocks that may lead to their collapse, and finally the inability of these institutions to keep pace with giant institutions, or similar institutions in global markets, especially for the low levels of technology.

6. Global value chains concept

Global value chains are production activities carried out by some companies of different nationalities to provide a product from the design stage to the production stage and final delivery to the consumer; Global value chains enable small and medium-sized enterprises to act as suppliers of primary parts or services, largely on a subcontracting basis to leading firms. Integration in global value chains is one of the economic matters of importance in consolidating relations between local and foreign institutions that own technology and the latest management methods, and this, in turn, leads to increased income and higher productivity and contributes to increasing levels of employment and employment, especially women, which works to achieve development goals sustainable. The integration of small and medium-sized enterprises into global value chains is also necessary for developing countries and important to transform unproductive employment in agricultural activities into better-paid jobs in the manufacturing sector, and not only that, but it should aim to upgrade to higher stages in the chain in terms of ability to provide products or more value-added services or move to more skilled activities, as the ultimate goal (Pietrobelli & Rabellotti, 2006). This integration also helps small and medium-sized enterprises acquire the skills and knowledge they need to conduct business across borders. This would allow these companies to better organize their production and improve their technologies and skills. They need to operate more formally and upgrade not only their production methods but also their management practices. Global value chains generate skills and increase job opportunities in a way that supports economic growth in countries that have improved dealings with them. The added value of trade contributes, on average, to about (30%) of the income of developing countries, and the bulk of the global GDP growth came during the period 2001- to 2017 is one of the most simple

and complex global value chains, where the complex grew by (10%) in 2017 and contributed to the growth of the nominal global GDP by (5%) compared to (3%) for simple value chains, (4%) for traditional trade chains and was lower A contribution to local value chains (Santiago & rupiah, 2020). Supporting the integration of developing countries into the global economy has led to an increase in their exports, especially intermediate goods, and to the integration of the countries of the North with the countries of the South in global value chains, which constitute (70%) of the total international trade due to the movement of multinational companies.

Al-Husseini, Abdel-Moneim, (2020) defined the global value chain as an integrated set of activities carried out by companies to transfer the product from the concept stage to the end-user and beyond. These activities include research and development, design, production, marketing, distribution, management and recycling of waste, and other activities. And Pol (2020) defined it as a series of production stages sold to the final consumer, in which value is added at each stage, provided that at least two stages are produced in different countries.

7. The types of value – added chains:

There are types of value-added chains. It is possible to distinguish between the foreign added value included in the country's total exports and the local value-added in exports, which in turn includes exports that are exported in the form of finished products and exports from intermediate inputs destined to the country of destination and those used as intermediate inputs for exports to third countries or Exports of intermediate inputs that are returned to the homeland (Raju; Nemanja & Carlos, 2019), and accordingly, four types can be distinguished as follows:

- a) Purely local added value: It is not directed to export across borders.
- b) Domestic value added in finished product exports: the products are entirely manufactured based on local factors and a factor content that transcends national boundaries once for consumption only (Wto; Oecd & Worldbank, 2019).
- c) Simple value-added chains: It expresses the local added value included in the trade of intermediate products for a sector in a particular country, which the partner country uses to produce its local products consumed locally. In this case, the content factor is used in production outside the country and crosses the border once for production purposes
- d) Complex value chains: This type refers to the added value included in the exports and imports of intermediate products, which are used by a partner country to produce products destined for export. In this case, the content factors cross the national borders at least twice (Al-Husseini, Abdel-Moneim, 2020).

8. The importance of global value chains for small and medium enterprises

The importance of global value chains for small and medium enterprises can be emphasized through the opportunities they provide for the growth of these projects when they join these chains from many aspects, most notably that they achieve positive effects on small and medium enterprises because of their common factors such as the use of similar technology or participation in the same marketing channels (Sara, Batiah, & Rosmini, 2018). Technological progress and efforts by governments in developing countries to reduce barriers to international trade have created market opportunities for companies. Of all sizes in this country, similarly, participation and upgrading in global value chains of leading companies open opportunities for small and medium companies, but small and medium enterprises face the problem of lack of competitive advantage, which stands as an obstacle to their promotion to enter into global value chains; This is because the internal capabilities of SMEs are often weak, which makes it difficult to build the necessary competitive advantage and consequently the size of firms can limit cost advantages in many industries. It makes it difficult for these companies to reap the productivity benefits from the division of labor (ADB, 2016). But this means at the same time that these companies must enhance their competitiveness, increase their productivity and access the necessary technical knowledge if they are to survive and grow in a competitive market to raise the level of their participation in global value chains (Luiz, 2019).

Global value chains also allow small and medium enterprises to act as suppliers of basic parts and parts based on subcontracting to international companies, enabling them to access large regional and global markets and forcing small and medium enterprises to be able to meet quality standards and product standards, due to the intensity of competition. In markets, in addition to it also needs to work more professionally in terms of production and management processes, global value chains are usually controlled by leading companies and often the main services or production inputs to this leading company are provided by contracting companies, which are provided. In turn by other companies, forming a hierarchical structure (Abonyi, 2005), the higher the company is in the hierarchical structure, the closer it is to the leader.

The complex tasks that contracting companies must perform, including production, manufacturing, assembly, and after-sales service, have increased, which leads to increased value-added, and this requires a high employment rate (Humphrey & Schmitz, 2020), so large companies outsource these stages and tend to small and medium-sized companies that lack technical capacity but provide from low-cost labor to perform simple functions that add little value to the product and thus can be replaced more easily (Abe, 2009).

9. The challenges facing small and medium enterprises:

There is many challenges may prevent the strengthening of their targeted economic role when they join global value chains. These challenges are:

- a) The lack of comprehensive and timely information about SMEs due to the structural weaknesses in statistical services in many developing countries as well as the wide differences in economic structures and levels of development in the region; This results in the inconsistency of the available information between financial institutions and small enterprises. The study of Lybaert (1998) found that there is a positive relationship between the extent to which the available information is used and the performance of small enterprises.
- b) Differences in country definitions of SMEs, lack of skills and experience in regulation, and weak innovation culture pose a set of challenges for SMEs to expand their participation in global value chains (ADB, 2016).
- c) Weak supply capacity in terms of lack of financial resources and difficulty in obtaining financing, as banks consider financing these small projects high risks and low creditworthiness (Gebru, 2009), due to the lack of sufficient guarantees for the value of the required loan, which is one of the main bases for banks to agree to grant the loan in exchange for the lack of sufficient fixed assets for small enterprises, especially at the beginning of their operational life.
- d) The lack of technical, training and technological support, as the technology used in these projects, is modest, as well as the lack of technical specifications required in the products of those projects.
- e) The lack of necessary skills in the human cadres of small and medium-sized companies, such as management skills, identifying market needs, marketing, distribution, and logistics services, so that they can participate in those chains, in addition to the strictness of standards and specifications that are an essential feature of participation in global value chains; Where compliance with standards and accreditation certificates has become important for these projects. (Singh; Gang; & Deshmuck; 2010).
- f) The challenges of attempts to upgrade the hierarchical structure of global value chains to provide more effective growth for these companies, are serious obstacles to these companies (Ponte & Ewert, 2009) due to their

need for elements of human, material, and structural development,

- g) The economic crises that occur in the market and countries, due to which retailers and major producers may resort to stopping or significantly reducing their purchases due to lack of demand, reduced access to finance, pessimistic prospects and high rates of risk aversion, and the supplying small and medium-sized companies are at risk. Losing its business if it depends only on one client of the multinational companies. When the main companies are affected, the small and medium companies that depend on them are also affected, threatening their survival.
- h) The absence of clear and specific government legislation and policies to support and organize small projects, and the lack of sound plans, strategies, and organizational structures for these projects that guarantee their growth and continuity. The dependence of these projects on traditional skills, the low level of technology in managing their business, and their failure to adopt modern marketing methods and plans to promote their products or services (Al-Khaseeb, 2009). The problem of marketing products, whether internally or externally, is because of the weak possibility that shows marketing in an appropriate appearance. As for external marketing, it is undoubtedly an uneasy task and requires a lot of capabilities and skills, as well as information about the characteristics of consumers abroad and the levels of prices, quality, and required quality (Giulianir & Rabelotti, and Rabelotti 2005). The owners of these companies are not aware of these technical and administrative matters, and there are no bodies to train them and help them develop this kind of awareness.
- i) Unfair competition from companies that are active in the informal sector, bureaucracy in administrative matters and difficult procedures, corruption and the tax system, poor handling of human resources in market research, and modest efforts in research and development to develop these companies, whether on the part of governments or companies themselves (Julija, 2017).

The proposed perception of mechanisms to overcome the challenges facing small and medium-sized enterprises to achieve the desired benefits from joining global value chains:

In light of the findings of the study through its theoretical framework in the first topic, which resulted in the importance of small and medium enterprises in many aspects, most notably achieving growth and economic transformation and solving unemployment problems. As

well as the existence of many benefits that can pervade these projects by joining global value chains, but with the availability of a set of conditions that must be met in them, whether to join those chains or for growth and development to reach a higher stage in the global value chain, most notably the availability of human skills in those in charge of Managing and facilitating these projects in terms of management, estimating market needs, marketing, distribution, and logistics services, and paying attention to research and development for creativity and innovation..etc, which is evident from the study that it is not available in most institutions for small and medium enterprises, in addition to a set of other challenges that they face upon their integration. Already the global value chain; For all this, the researcher presents a proposed vision in which a set of mechanisms can be presented through which the challenges facing small and medium enterprises can be overcome to achieve the desired benefits from joining global value chains:

First: Mechanisms for facing challenges related to financing

1- Equity and non-equity foreign investments

One of the solutions that can be relied on is equity and non-equity investments, where foreign direct investment and companies can enable host countries to integrate into global value chains:

a- Equity investments:

Foreign direct investment is defined internationally according to the most important international organizations concerned, namely the International Monetary Fund, the United Nations Conference on Trade and Development, and the Organization for Economic Cooperation and Development, as that type of international investment that reflects the acquisition by an entity resident in one economy of permanent interest in an institution residing in another economy. The permanent interest is based on the existence of a long relationship between the direct investor and the institution, in addition to the investor's enjoyment of a large degree of influence in the management of the institution. Direct investment is not limited to the initial transaction, but also includes all subsequent transactions between them and all transactions between the affiliated institutions, whether they are shareholders or non-shareholders. Small and medium-sized companies can benefit from the repercussions of the activities of the affiliated companies of multinational companies that are active in the host countries through founding investments, acquisitions, or through the establishment of joint projects with those companies, where foreign direct investment links can enable companies in the host countries to develop managerial skills. Product improvement, innovation, cost reduction, improvement of working conditions.

b- Non-equity investments:

International non-equity forms of production are becoming increasingly important as multinational corporations, through these forms of production, coordinate the activities of their global value chains and influence the

management of host country firms without owning a share in the capital in these firms. Among these forms, we find contract manufacturing, outsourcing of services, contract farming, concessions, licensing, and management contracts. International non-equity-based forms of production can be an important means of market access for countries aiming to achieve export-led growth, and they can also be an important starting point in penetrating global value chains dominated by multinational corporations. This is before it gradually turns to build independent export capabilities.

State forms of production that are not based on capital participation require the presence of local entrepreneurs and local investments. These forms of production often facilitate local investment and the possibility of obtaining local or international financing either through explicit measures taken by multinational companies to provide support to local partners in forms of production. These or through the implied guarantees that stem from the character of the partnership with a multinational company.

Some forms of foreign direct investment may be more related to the development of small and medium-sized companies than others, as they can provide indirect benefits to these companies.

As for investments looking for strategic assets and efficiency, these companies can provide the opportunity to connect to global value chains and this leads to the import of intermediate products and the export of final products. Intermediate services, and products, which creates opportunities for SMEs to sell in value chains through upgrading. There are several ways to upgrade those small and medium businesses can use as follows:

- a) Process Upgrading: Occurs when companies can tackle tasks more efficiently and with fewer defects than their competitors
- b) Product upgrading: occurs when companies can provide products with a higher added value than their competitors through superiority in technological development and quality and also includes the ability to introduce new products faster than competitors
- c) Chain upgrading: occurs when companies can position their activities into new global value chains that produce higher-value products. These capabilities include managerial talent that helps identify potential opportunities and threats and enables companies to reconfigure their resources and organizational structures on time.

Global value chains, through the opportunities they provide for the development of small and medium-sized enterprises, can participate in the supply of these enterprises as independent companies and engage in international forms of production that are not based on equity participation and foreign direct investment.

2-Government Efforts:

The government can provide several facilities through some procedures, issuing legislation, or establishing new entities to deal with the circumstances of these projects, including:

- a) Establishing banks specialized in financing small and medium enterprises that offer loans on easy terms and banking procedures compatible with the conditions of these projects, or opening special branches for such projects in existing public governmental banks.
- b) Community awareness of the importance of these projects and the importance of promoting their products
- c) Encouraging partnerships between experienced and emerging local companies.
- d) Creating incubators for emerging entrepreneurship
- e) Encouraging and urging private financial institutions to finance this type of institution.
- f) Issuing financially facilitated laws and legislation on taxes imposed on these institutions, as well as granting facilities to foreign financing.
- g) Supporting and developing associations of businessmen and women.
- h) Providing easy opportunities for infrastructure development for small and medium enterprises.
- i) Encouraging scientific research in the field of developing and solving problems of small and medium enterprises.

Second: Mechanisms for facing challenges Weak technical, skill and administrative skills

1. Providing training services in the field of marketing, financing, matters related to accounting, feasibility studies ... and others, through government institutions entrusted with industry and commerce in the country, and a requirement to pass training to set up these companies and give licenses to practice the activity.
2. The government's establishment of sponsoring and supporting entities for these institutions, whether real or virtual, through digital platforms; provides support and meets the skill, guidance, awareness, and advisory needs of such companies on an ongoing basis.

Third: Marketing Challenges

1. Paying attention to and following up on international fairs and markets, and facilitating the participation of projects in them
2. Establishing government outlets to market the products of small and medium-sized companies in a way that contributes to the prosperity of their economy
3. Banning the import of products produced by small and medium enterprises to meet the challenges of competition in marketing their products.

4. Establishing entities to promote exports for the products of these companies, and setting a national strategy for developing and promoting exports.

Fourth: Infrastructure Challenges:

1. The government provides easy opportunities to develop the infrastructure for small and medium enterprises.
2. Government support for small and medium-sized companies that integrate with value chains to achieve higher value-added stages
3. Government support for small and medium-sized companies that employ a large workforce contributes to reducing unemployment.
4. The government supports small and medium-sized companies that provide advanced industries that keep pace with the twenty-first century, especially in the field of technology.
5. The government builds opportunities for small and medium-sized companies to engage in global value chains by providing the necessary infrastructure needs through large government institutions in the same field.
6. Establishing major industrial complexes, whether through the government or the company between the government and private sector institutions and providing the necessary infrastructure for a fee representing the periodic cost price to encourage the advancement of these companies.

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