



## Integrated Small and Medium Enterprises in Global Value Chain Based on The Best Principle and Plan

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**Abstract:** Global value chain plays an important role in the international commercial system. Integrated small and medium enterprise in global value chain brings both risk and challenges. The analyzing global value chain in agriculture, food processing, car industry, electronic industry, handicraft product, considering configuration and characteristic of the value chain. Since characteristic and challenges related to particular industry, it is difficult to recommend a list about a policy that is “suitable for all” and facilitate for small and medium enterprises participate in the global value chain. Because of those issues, this article gives a recommendation about a principal in policy and effective solution to enhance opportunity integrated small and medium enterprises.

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### 1. Global Value Chain:

Integrated international trade and distributed manufacturing are two phenomena that happening at the same time. Nowadays, about 80% of global trade is working throughout the network of the global value chain. Despite the recession in 2008, 2009 and financial crisis, global value chains are still a concentration of global trade. Since the global financial crisis, one of changing issues is processing in the global value chain, these issues are determined: (1) Global chain values are undergoing to combine, multinational corporations are seeking supply from a few big suppliers and having well reputation than a number of the smaller supplier. (2) Rising the cooperation among global chain values and linking among small and medium supplier. (3) The cost of the product is rising in developing countries in Asia, a number of multinational corporations return manufacture in their main countries. (4) The global consumer market is shifting to developing the economy and enhances the opening of the geography of the value chain. (5) Trade and service are playing more highlights role and links among participants in the value chain. (6) The rising of e-commercial allows spread global value chain.

### 2. Small and Medium Enterprises in Global Value Chain:

In the global value chain, small and medium enterprises are seen as an intermediate input provider, normally operates as a subcontractor. APEC working the

group selected agriculture, food processing, car industry, electric industry, handicraft product are a key industry that small and medium enterprises should participate in the value chain. Organizing and operating by the key company in each industry, having five value chain show different characteristics:

(i) Global value chain about agriculture is leading by big wholesalers, merchant, or organizations or NGOs. The standard of food safety, quality, size, shape and time of delivery are very important and universal in this kind of chain. Moreover, because of the very short life in agriculture products, cooling system and transporting system is invested centralization.

(ii) Global chain about food processing is leading by multinational corporations about food. The integrating is being processed by competing among corporations which depend on the difference of product and satisfaction of the customer. The top priority is about food safety, waste from food and spare in food processing.

(iii) Global value chain about car industry includes a few huge corporations which have a big influence on the world market. The integrating into this industry started at the beginning of the 1980s. Unlikely another global value chain, value chain about car industry is centralizing in the markets that have developed economy. After that, the rising of a developing the economy, the car’s manufacturer or the developed economy may have a large market and the consumption is gaining well.



(iv) Global value chain about the electronics industry has an open range about geography. Contract about manufacturing has prevailed with the huge global provider. The characteristic of this chain is the famous label is sold in a developed economy, while the less famous one is widespread in the developing economist countries.

(v) Global value chain about the product of handicrafts is developing. China, Indian and other Asian countries are the big provider and gradually prevail in this market. E-commercial play important role in distribution system of handicrafts.

In general, the multinational corporations regulate the rule of the game in the global value chain and overwhelming small and medium enterprises. This article discusses five constructs of administration: market, module, relationship, control, and level. Although these five constructions reflect the different strategies, value chain in essential is more complex with a configuration which is the combine of construct administration (Chyi Lee, & Yang, 2000).

Before participating in a business relationship, multinational corporations will estimate providers (small and medium enterprises) in quality of the product, cost, transportation as well as the stability of financial, the capability of manufacturing, the flexibility, geography, standard, certificate, information and communication for business. In addition, the multinational corporations need to examine other internal and external factors for the success of the business relationship. The internal factors related to estimation the capacity of small and medium enterprises, establishing the program for providers. The external factors related to the business environment including Amity, the available on the infrastructure of information.

### 3. Principles about Policy and Solution for Developing of Global Value Chain

For participating small and medium enterprises in the global value chain, the APEC's economy may enact policies which support for companies and build a better environment for business. For that reason, they can consult principles and solutions as follow:

*Characteristic of product:* countries can promote trading by opening fair, conference, services center, or online forum to narrow the gaps about information between multinational corporations and small and medium enterprises.

*Characteristic of the company:* to enhanced stability about finance, the economies are recommended to support financial for supply chain and educate about finance. This support will enhance the capacity of manufacture; promote

cooperation among small and medium enterprises. To support small and medium enterprises meet the requirements about standard and procedures and having certification of other countries, each government should be harmony standard and procedures; establish the supporting system for administration to reduce time and management fee with small and medium enterprises (Mather, 2004).

To take advantage of geography, each economy should ensure stability about the macroeconomy, opening the market and upgrade their legal system. The development of infrastructure for Information technology will support the exchange of information. The cooperation between universities and private companies in a good way to approach advanced technologies and management methods. And the protection of intellectual properties right also is motivation for small and medium enterprises – the issues about intellectual properties right often have in developing countries.

*Other issues:* To improve business's environment, each country should continue agreement about free trade. Each country should also invest in infrastructure about Information Technology and communication, transportation and logistics. These improvements will create motivation and opportunities for small and mediums enterprises that allow them to participate in the global value chain (Gereffi & Memedovic, 2003).

The policy for integrating small and medium enterprises need to be done on two level: (i) At the state level, economies should raise awareness and knowledge about the benefits of participating in the global value chain. (ii) At the particular industry level, the government has to recognize strengthen or weakness, opportunity or challenge for small and medium enterprises./.

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