Research on Countries’ Policies of Supporting SMEs to Boost Economy in North America

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Abstract. The economic prosperity of a country is inseparable from manufacturing, and the development of small and medium-sized enterprises (SMEs) is very important to the manufacturing industry. This paper studies Manufacturing Expansion Partnership (MEP) of American and Canadian Industrial Assistance Program (IRAP) and explores the relevant support and services for SMEs in the United States and Canada from the perspectives of development, organization and operation. Its purpose is to learn from the successful experiences of these countries and to provide relevant suggestions for the development of SMEs in China.

Introduction

SMEs have always been the major driving force in supporting the development of manufacturing industry, which account for more than 98% in most economies. Over the past few years, the steady and rapid growth of SMEs has made great contributions to China’s economic growth. However, in recent years, with the rise in cost of labor productivity, the problems faced by SMEs are following. The development of SMEs has been restricted by the increase of land price, labor cost and raw material price, as well as the lack of innovative technology. And the cost of production in China has risen significantly. According to statistics, the cost of China’s manufacturing industry is not only far higher than that of Southeast Asia, but even 90% more than that of the United States. At the same time, China’s manufacturing industry has a high degree of dependence on foreign-trade. Under the influence of multiple adverse factors, such as the international trade war and the cost impact from Southeast Asian countries, the situation is not optimistic. This may be the throes of China’s transition from a manufacturer of quantity to one of quality, in which the urgent task is to end this throes as soon as possible and help China’s manufacturing industry get out of trouble. If we want to enhance our national competitiveness and promote economic development, how to support SMEs is the key issue.

Throughout the history of developed countries, it can be found that the economic take-off often starts with manufacturing industry. When western developed countries trapped into manufacturing difficulties, they chose to improve the productivity and competitiveness of SMEs by setting effective policy measures, providing financial subsidies and introducing institutional services, so as to boost the economy. In order to put forward relevant opinions and suggestions of government to support for SMEs in China, this paper analyzes and studies the relevant policies of the United States and Canada in North America on supporting the SMEs and learns from the successful experiences of US MEP and Canadian Industrial Research Assistance Program.

Canadian Industrial Research Assistance Program

Canada is a country with a large number of SMEs. In order to provide more assistance to SMEs to enhance their competitiveness, in 1962, the National Research Institute of Canada officially
launched the Industrial Research Assistance Program (IRAP). IRAP aims to provide SMEs with a complete set of financial support and technical services to speed up their development.

**Development History**

Tracing back to history, IRAP has undergone complex evolution, including expansion of its functions and coverage. A brief overview of its development is as follows: from 1962 to 1978, IRAP began to provide technical and financial support for large projects, which had lasted for five years for each project. From 1978 to 1984, with the increasing recognition of the importance of SMEs, small project funding, laboratory research funding and employment subsidy for graduating students became the major assistance service. From 1984 to 1988, technology transfer projects and international technical services were increased to enhance the spread and diffusion of technology. From 1991 to 1999, according to the strategic plan of Canadian National Research Institute, IRAP focused on "complex projects with greater technological impact". At the same time, their efforts were made to establish Canada's industrial assistance program network. From 2000 to 2005, the scope of the program was rapidly expanding, presenting a diversified development direction such as the organization of international technology access; more and more attention was given to the entry of SMEs into the global market; the concept of sustainable development was integrated into the innovation process of SMEs; the technology cluster strategy was formulated; and the projects on supporting and funding SMEs in pre-commercialization stage were carried out. From 2005 to 2009, IRAP aimed to help more enterprises transform from small-sized to medium-sized enterprises, in doing so IRAP increased the fund coverage and quantity of large-scale projects and undertook more responsibilities; it cooperated with Canadian Institute of Science and Technology Information to provide competitive technical information for enterprises; it provided technical assessment of international science and technology cooperation projects, and commercial verification for innovative programs. From 2009 to 2011, in response to the 2008 global financial crisis and economic recession, the Canadian government developed a comprehensive stimulus and economic recovery plan called the Canadian Economic Action Program. As part of the plan, IRAP was expected to receive huge contributions within two years to provide more funding for each project’s companies. In addition, IRAP was also responsible for the provision of data services, of which the objective is to speed up the adoption of data technology in Canada to enhance the productivity of SMEs.

**Organization Operation**

Canadian Industrial Assistance Program is administered by the National Research Council of Canada, sets up consulting committees in various regions and provides support to SMEs mainly through industrial and technical consultants from the aspects of technical information services and financial assistance services.

**Technical Information Services.** Canadian Industrial Assistance Program provides services through industrial and technical consultants covering 150 regional offices in 90 communities in Canada. Industrial and technical consultants mainly focus on helping SMEs to carry out technical innovation and new product development activities and play a special role in product-study-research. At the same time, technical consultants offer consultancy to SMEs and provide funds for training and innovation activities. Technical consultants can also provide liaison services through an extensive network of contracts to establish connection between SMEs and experts, venture investors and potential business partners.

**Financial Assistance Services.** The financial assistance services of Canadian Industrial Assistance Program can be divided into three major parts: first, providing financial support for companies to foster business innovation, technical motivation, process excellence and improve the company’s R&D level; second, providing financial assistance for the Third Party which can provide
services for SMEs; third, giving financial subsidies for companies that employ new graduates under the youth employment program.

**U.S. Manufacturing Expansion Partnership**

Manufacturing Expansion Partnership (MEP) is an important national program set by the U.S. government aiming at improving US manufacturing industry. The MEP is organized and implemented by National Institute of Standards and Technology of which the priority is “to improve the productivity and technology level of the U.S. manufacturing industry with unremitting efforts”.

**Development History**

In the early 1980s, within the context of competitive pressure that Japan and other countries developed rapidly in the manufacturing industry, the United States has adopted a series of policy measures to support the manufacturing industry and improve the economy.

In 1988, the Comprehensive Trade and Competition Act was announced. It was the first time that the federal agency officially assumed responsibility for the commercial promotion of technology and established a manufacturing development center. In 1989, experimental pilot centers were firstly introduced in three regions: Southern California, Ohio, and New York. In 1993, financial support was provided for the transformation and upgrading of manufacturing enterprises through Technology Reinvestment Plan. In 2009 and 2010, the U.S. government has announced the Rejuvenation of US Manufacturing Framework and Manufacturing Promotion Framework, which regarded “rejuvenate manufacturing industry” and “double export” as the policy goals to help manufacturing enterprises improve their competitive position and ensure the competitive advantages of American manufacturing enterprises in the global market competition in order to create a strong US manufacturing base. The successive adoption of these policies has effectively promoted the implementation of the MEP and provided a strong policy guarantee for the support of manufacturing enterprises from the national level.

**Organization Operation**

The organizational structure of the MEP consists of three parts, including lead agency, executing agency and partner organizations. Lead agency is the National Institute of Standards and Technology and responsible for the organization and implementation of the MEP. Executing agency is the expansion center of manufacturing industry. It receives the qualification review and annual review of the US National Institute of Standards and Technology. The expansion center of manufacturing industry has set up service stations to form a service-oriented network platform covering the whole country, providing direct technical assistance to local manufacturing enterprises. Through the cooperation of state centers with state governments, university institutions, enterprises, and laboratories, SMEs are greatly assisted in strategic consulting, quality management, technology development, process improvement and supply chain.

**Successful Experience**

The successful implementation of U.S. MEP reveals several advantages as follows:

First is the stable and diverse source of funding. Federal government has provided long-term and stable financial support, and the overall funding has been increasing year by year. At the same time, the relatively stable investment of the federal government has stimulated the enthusiasm of capital investment from the state government, local government, and private capital.

Second is to integrate various resources and form a wide range of partnership network. The cooperation partner organizations cover three domains: the relevant departments of the country; the state government which has established cooperative relations with 50 states to establish local manufacturing extension centers, and cooperated with other organizations in the state including universities, community colleges and economic development organizations; institutions and associations.
Third is market-oriented organization operation. The U.S. MEP reorganizes and allocates various information and resources such as quality management of technical resources, technical capabilities, energy and environment and etc. to meet the specific needs of SMEs of manufacturing industry.

Conclusion

Nowadays, more and more countries realized the crucial role of SMEs and the urgency to improve the productivity and competitiveness of SMEs and rejuvenate manufacturing industry. From the analysis mentioned above about the U.S. and Canada’s relevant programs, it can be seen that despite different institutional mechanisms, governments have played an extremely important role in promoting enterprises’ technological innovation, improving product competitiveness, and promoting domestic economic and social development.

The successful experience accumulated by these countries in supporting SMEs provides a good reference for China to solve its current real economy problems: first is to strengthen the role of policy guidance, develop special policy measures from national level to guide the inflow of private capital into the real economy, and conduct financial assistance for the development of SMEs and tax reduction policies; second is to set up specific technical organization to assist the SMEs in the technical process excellence, technical improvement, strategic consulting, quality management and innovation; third is to strengthen the training of professionals, explore cooperation with colleges and universities and scientific research institutions, make rational use of product-study-research mode and establish broad teams of experts; the fourth is to establish a market-oriented operating mechanism, aiming at the needs of enterprises and the market, and to promote the reform of related management and operation mechanisms so as to better support SMEs.

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References