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Intellectual Property and
Competitiveness of SMEs

*In Developing Countries with reference to Egypt*

With a Forward by

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Preface to the book:
Small and medium-sized enterprises (SMEs) have long been a matter of concern for researchers, thinkers and policy makers. In the populist tradition of thought, an economy based on small enterprises has been viewed as the alternative to the standard course of capitalist industrialization which generated, with its orientation toward increasing concentration of industry in the hands of a few large enterprises, great income inequalities and social disparities. Therefore, the presence of active SMEs may lead to more competition with its tendency toward decreasing concentration of industry in the market (Kitching, 1982). In light of globalization, SMEs face many challenges and constraints, intellectual property rights (IPR) protection is one of them which can restrict competition at least in the short run, consequently, producing a trade-off between
the benefits of increased competition and the gains from further innovation. Of course, this may lead to a conflict between IPR and competition in general. Competition policy seeks to encourage competition by limiting how enterprises in oligopolistic industries exercise their market power. IPR grant temporary monopoly power for the owner of the intellectual works with a view to encourage the innovation by protecting the owner from the competition for a limited period of time (Carlton and Gertner, 2002).

The point we would make here is that SMEs capacity to innovate and bring new products and processes into the global economy relies on their capacity to develop local partnerships and alliances, but that these links are less secure than during much of the last century. It therefore, the competitiveness of SMEs in the age of globalization of the world economy should be examined from an international perspective. Particularly, it represents the fundamental component of the national competitiveness. The real competitiveness of the active business is a result not only of internal factors, but also of the networking and dynamic influence of external factors, such as social environment, economic policy, business community, technological infrastructure, the location, natural conditions. In the meantime, SMEs are becoming more involved in international strategic alliances and joint ventures both among themselves and together with the larger multinationals. More generally, networking allows SMEs to combine the advantages of small scale, e.g., flexibility, and the economies of scale and scope provided by enterprise groups as we show in this book. SMEs are also important to grow out of stage-dominated economy characterized by government subsidy and control and, because of their independence and sheer numbers, SMEs consider a constituency of good policy and governance in many developing countries. The new point with this book is to explore the IPR system as an effective incentive to enhance the competitiveness of SMEs in a framework of the developments in the international environment. Especially, a high ratio of SMEs's assets includes IPR.

This book seeks to diagnose challenges and prescribe solutions for reconciling the clash between use of the IPR system by SMEs to enhance their competitiveness and the major constraints faced by them with reference to Egypt as one of the developing countries. Towards these ends, Chapter 1 sketches the basic concepts of competitiveness in the context of economic literature. Furthermore, it
will consider the main measures of competitiveness with emphasize on those related with SMEs. Chapter 2 attempts to gather comparative insights from worldwide experiences with SMEs development assistance in the field of non-financial services. In addition, in this chapter, definition of SMEs, its characteristics, its relation to economic development and some country experiences will be discussed. It is necessary to refer to SMEs strategies to enhance its competitiveness before exploring the links between SMEs and IP in the next chapter (e.g. innovation, networking strategies).

Chapter 3 examines the relation between IP and SMEs based on some main cases studies in that affair. It should be analyzed the IPR system to explore the possible benefits of using it by SMEs. Therefore, IPR system and its economic value will be explained. Based on the private nature of SMEs, the chapter will shed light on the main constraints faced by them in use of the IPR system. Moreover, there are some successful experiences in encouraging SMEs to use the IPR system will be considered as well as WIPO's strategy in this affair at the end of his chapter. Chapter 4 explores the different methods to evaluate IP as an intangible asset. Additionally, the idea underlying IP as source of competitive advantage for SMEs and IP management is to be taken. Finally, Chapter 5 is devoted to discuss the Egyptian experience in SMEs. The starting point in this chapter is to anatomize the structure of SMEs authenticated by recent statistics. The SMEs by nature faced by many constraints (e.g. financial, innovation, regulatory, and demand obstacles), it will be considered in details a possible as. Consequently, the Egyptian policy to enhance the competitiveness of SMEs and the different endeavors to strength IP regime will be explored.