Support Export Process in Algerian Small and Medium Industries in the Light of the German Mittelstand Experience

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Abstract:

This article discusses the process of accompanying and supporting small and medium industries, and the way to develop their effectiveness and export capacity through the German experience.

By studying the legal framework, the support and accompaniment system, and trying to analyse the situation of small and medium industries, in Algerian economy on the one hand, and the success factors of German SMEs on the other hand, we can conclude that Algerian small and medium industries can develop quickly and achieve exporting with their potential. This requires strengthening the advantages offered by the support process as well as the culture of entrepreneurship and innovation, which are key success factors for German Mittelstand.

Keywords : Small and Medium Industries ; Export process ; Mittelstand.

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1.INTRODUCTION :

Since the 1980s, and given the marginal results of the development strategy adopted by the Algerian Government, based in particular on the industrialization policy, as well as the exacerbation of the external debt crisis under pressure from the IMF and the World Bank, Algeria has experienced a very difficult economic transition from the administered economy to the liberalized market economy, marked by a series of socio-economic reforms that have enabled the private sector to emerge, whereas the strong commitment to the market economy unleashes entrepreneurial energies, leading to significant and rapid development of small and medium industries. (ASSALA, 2006)Which are a source of wealth, a means of fulfilling economic and social needs and absorbingunemployment. (CHELIL, 2009)

While, the opening of the national economy generates new challenges for Algerian companies that will have to face increasingly fierce competition in the domestic and foreign markets (HAMMACHE Souria, 2007)

At the end of 2021, the overall population of SMEs amounts to 1,286,365 entities of which more than 56% are legal entities including 225 Economic Public Enterprises (EPE). The rest is made up of natural persons (43.97%) of which 23.60% are craft activities (SME Statistical Information Bulletin, 2022)

This number of SMEs increased and reached the number of 1,320,664 SMEs.At the end of June 2022 employing 3,220,661 employees(El-moudjahid, 2022).Through this work, we will focus on small and medium industrial enterprises, in other words, small and medium industries, that have become among the most important components of the Algerian industrial fabric, and the essential element of the new industrial strategy adopted by the Government, to achieve the objectives of diversifying the economy, while trying to draw lessons from the experience of German small and mediumindustries,"the Mittelstand". In this context, we will first discuss the legal and regulatory framework for promoting small and medium industries. Then, we will deal with the various support mechanisms placed by the authorities to help small and medium industries win a place in international

markets. Finally, we will take stock of small and medium industries in Algeria by focusing on the German Mittelstand, and what we can learn from them.

To this end, our main concern is to provide answers to the following problem: How can the process of accompanying and supporting exports envisaged by Algerian small and medium industries be strengthened through the experience of the German Mittelstand.

- To answer the main problem, it should be divided into sub-questions, namely:
- What is understood by a small and medium industry?
- What are the main components of the export support process?
- What are the lessons learned from the German Mittelstand experience?
- From the above, we postulate the following hypotheses:
- Small and medium industries have become the engine of economic development in Algeria.
- A process of support and support favorable to export, and composed of two main axes, namely: the institutional framework and the legislative framework.
- Different lessons can be drawn from the experience of the Mittelstand for the benefit of small and medium Algerian industries, such as a highly developed form of business networks, very high entrepreneurial culture, mastery of technology, and the spirit of innovation.
- In this context, we will address the topic in broad parts as follows:
- The legal and regulatory framework for the promotion of small and medium industries,
- The process of accompanying and supporting exports,-Small and medium industries; state of affairs,
- Small and medium Algerian industries in the light of the famous German Mittelstand

2. Overview of the Legal and Regulatory Framework for Small and Medium Industries:

The opening up of the economy in Algeria began in 1989. It has led to a significant development in the private sector. This development relates to the number of new companies and their weight in different sectors of activity(ASSALA, 2006), as well as the introduction of new laws regulating investment, foreign trade, and SMEs.

2.1. Law 17-02: New Dynamic more Adapted to Economic and Social Objectives:

Law 17-02 appeared at a time when Algerian authorities were thinking about updating the legal framework directly related to SMEs to adapt to the new economic and social objectives.

A. Law 17-02: More Adequate Objectives for Small and Medium Industries:

A comparative analysis of the objectives of the new law no. 17-02 with the former law no. 01-18, reveals that law 17-02 has developed new objectives compared to the old text provided for in article 02, namely; the emergence of innovative small and medium industries, the improvement of the national integration rate, and the promotion of subcontracting.

It should be added that other general objectives of Law 17-02 were mentioned in the old text, not as general objectives of the law itself, but as objectives of measures to assist and support the promotion of small and medium industries (Article 11) as follows:

- the impetus for economic growth,
- improving the environment, and encouraging the emergence of small and medium industries
- improving the competitiveness, and the export capacity.
- promoting of entrepreneurial culture.

B. Redefinition of the Small and Medium Industry concept:

The new definition set out in Act no. 17-02 introduced new thresholds for turnover and balance sheet total, but the other criteria for defining small and medium industry, adopted by the old Act no. 01-18 remained unchanged.

Table (01): Criteria for defining small and medium industries

Law Applied	Enterprise	Number of Employees	Sales Revenue (SR) in Algerian Dinars	Total Balance Sheet (TB) in Algerian Dinar	Independence Criteria

Law 01-18	**medium-sized industries**	**50-250**	**200 million < SR= 2 billion**	**100 million < TB= 500 million**	**a company that is not 25% or more owned by one or more other companies does not meet the definition of an small and medium industry**
Law 17-02			**400 million < SR = 4 billion**	**200 million < TB= 1 billion**	
Law 01-18	**Small-size industries**	**10-49**	**SR = 200 million**	**TB= 100 million**	
Law 17-02			**SR = 400 million**	**TB= 200 million**	
Law 01-18	**very small industries**	**01-09**	**SR = 20 million**	**TB= 10 million**	
Law 17-02			**SR = 40 million**	**TB= 20 million**	

Source:established by the authors based on the provisions of Law N°. 01-18 and Law No. 17-02

We found that between the new and the old law, the maximum turnover threshold was 4 billion Algerian dinars instead of 2 billion dinars, and the balance sheet total became 1 billion dinars instead of 500 million dinars. This explains the intention of the Algerian legislator to adapt to the economic and monetary news of the current era.

2.2-Measures to assist and support the promotion of small and medium industries within the meaning of Law 17-02:

New objectives have been mentioned by law 17-02 to adapt to the economic requirements of small and medium industries such as;

- Encouraging any initiative to facilitate access to land for small and medium industries.
- Fostering a culture of innovation.
- Encouraging professional associations, subcontracting grants.
- In addition to this novelty, the Legislator has retained most of the former objectives including the promoting the dissemination of all information, industrial, commercial, legal, economic, financial, professional, and technological aspects.
- The establishment of tax regimes adapted to the needs of small and medium industries.
- Law 17-02 introduced new mechanisms and measures for the development and promotion of small and medium industries, through three main axes; the creation and growth of SMEs, the promotion of subcontracting, and the development of an economic system linked to small and medium industries. These measures are provided by a new structure called "Agence" (SME development and innovation promotion agency, by abbreviation ADPIPME)

The Agency" is responsible for ensuring the implementation of small and medium industries development policy in terms of emergence, growth, and sustainability, including quality improvement, the promotion of innovation, the strengthening of the managerial skills and capacities of small and medium industries, the development of subcontracting and the development of an economic information system.

3.AFavorable Export Support Process:

The process of exporting the national product requires the intervention of the institutions and organizations of the Algerian process that the authorities have set up, to accompany and help Algerian small and medium industries wishing to export their product, through the collection of information, export credit insurance, prospecting and international market and logistics studies.

3.1. Institutional Support Framework forSmall and Medium Industries:

The institutional framework for export support and assistance for small and medium industries consists of several institutions and bodies, namely;

A. Algerian Export Guarantee Company (CAGEX):

This company was established in 1996. It is responsible for managing the new credit insurance system. It also covers risks arising from export or payment guarantees in case of default of the buyer (commercial risks, policies…). This system offers other services to exporters through various support and assistance measures, including access to information or in the process of prospecting on external markets.The CAGEX is governed, inter alia, by Article 4 of Order 96/06 of 10 January 1996, on export credit insurance (Algerian Export Guarantee Company, 2024)which stipulates that "Export credit insurance is entrusted to a company responsible for insuring its account and under the control of the State, commercial risks, and on behalf of the State, political risks; risks of non-transfer and disaster risks.

B. National Advisory Council for Export Promotion (CNCPE):

Created by Executive Decree No. 04-173 of 12 June 2004 on the composition and functioning of the National Advisory Council for Export Promotion, which determines the composition and functioning of the Council, and whose mission is to :

- help define export development objectives and strategy,
- evaluate export promotion programs and actions,
- propose any measure of an institutional, legislative, or regulatory nature; to facilitate the expansion of exports other than hydrocarbons, as provided for in Article 18 of Ordinance No. 03-04 of 19 July 2003 on general rules for import and export operations of goods.

C. Algerian Company for Trade Fairs and Exports (SAFEX):

Created in 1990, the Algerian Society of Fairs and Exports (SAFEX) is a public company resulting from the transformation of the corporate purpose and the name of the National Office of Fairs and Exhibitions. Its main mission is to contribute to the development and promotion of commercial activities and exports by assisting economic operators in international trade, using:

- business opportunities abroad,
- business networking,
- edition of economic journals,
- organization of seminars and conferences (SAFEX, 2024)

D. National Agency for the Promotion of Foreign Trade (ALGEX):

Following the transformation of the Export Promotion Agency called PROMEX in 2004, ALGEX's mission is to contribute, under the aegis of the Ministry of Commerce, to the development of Algerian exports excluding hydrocarbons(ALGEX, 2024) according to Article 20 of Order No. 03-04 of 19 July 2003 on the general rules applicable to the import and export of goods, the Agency is responsible for:

- managing instruments to promote exports other than hydrocarbons,
- ensuring dynamic management of the national trade information network,
- providing Algerian companies with commercial and economic information on foreign markets,
- supporting the efforts of Algerian companies in foreign markets,

- preparing, organizing, and assisting Algerian companies in economic fairs and events abroad,
- facilitating access to foreign markets for Algerian companies and facilitate commercial prospecting and expansion missions,
- assisting Algerian operators in the realization of business relations with their foreign partners,
- promoting the Algerian product label abroad.

E. Algerian Chamber of Commerce and Industries (CACI):

The Algerian Chamber of Commerce and Industry (CACI) was created by Executive Decree No 96-93 of 03 March 1996. It represents, for the public authorities, the institution concerned with the general interests of the trade, industry, and services sectors (CHIKH, 2018, p. 424)

The CACI has several tasks such as:

- providing government with information, advice, and suggestions on matters relating to commercial, industrial, and service activities.
- participating by presenting its views on the issue of economic development, as well as on commercial, industrial, tax, and customs legislation and regulations,
- participating in national and international economic fairs and events,
- providing information and intelligence for the benefit of domestic and foreign investment promoters,
- issuing certificates of origin, endorsement of various commercial documents, carnet ATA(*) (Algerian Chamber of Commerce and Industry, 2024)

F. Special Fund for Export Promotion (FSPE):

Established by the Finance Act of 1996, the purpose of the Special Fund for Export Promotion (FSPE),provides financial support to exporters and help them place their

products on international markets. The FSPE supports :

- a portion of the costs related to external market studies,
- a portion of the costs of exporters' participation in trade fairs, exhibitions, and specialized exhibitions abroad,
- partial support for small and medium industries, for the creation of internal export units,

- the assumption of part of the costs of prospecting for external markets borne by exporters,
- assistance in the implementation of export activities training programs,
- a portion of the transportation costs.

3.2. Legislative Framework to Support Small and Medium Industries:

The legislative framework for support to small and medium industriesis divided into several components, namely: the fiscal component, the customs component, and the repatriation measures of export earnings.

(*) « The ATA carnet is a customs clearance document in the suspension of duties and taxes, allowing the temporary export in 76 countries of certain types of goods and equipment for various uses, including commercial samples, exhibition in fairs, cultural and sportingevents, and professional equipment, in accordance with the 1961 Brussels Convention and the 1990 Istanbul Convention»

A.Export Tax Facilitation:

Many exemptions are granted for export operations, and in terms of :

- **Sales Tax:** there are two types of tax advantages granted to exporters in terms of sales tax as follows :

- **VAT Exemption:** this exemption concerns the sales business and in a way that relates to the exported goods, as provided for in Article 13 of the Code of Direct Taxes and Similar Taxes
- **The Benefit of the VATFree Purchasing Regime:** purchases or imports by exporters for export, re-export as is, incorporation into the manufacture, composition, or packaging of products for export, as well as services directly related to the export transaction. (Art.42-2 of the Sales Tax Code).
- **Direct Taxes:** Permanent exemption from corporate tax; as well as from income tax on export transactions generating foreign currency, whether for sales of goods or provision of services. This exemption is subject to the submission of a document to the tax authorities proving the payment of such income to a bank resident in Algeria (Art. 13 and 138 of the Code of Direct Taxes and Similar Taxes) by the repatriation conditions laid down in the Regulation of the Banqued'Algérie, No. 01-2007 of 3 February 2007, on the rules applicable to current transactions abroad and to current accounts in foreign currencies, amended and completed.

B. Repatriation and Distribution of Export Earnings:

The Instruction No. 06-2021 of 29 June 2021 of the Bank of Algeria relating to the opening and operation of the merchant currency account and the professional currency account merchant, and the distribution of export revenues for goods and services other than hydrocarbons and mining products, supports the commitment endorsed in regulation no. 01-2021 of March 28, 2021 (amending and supplementing Regulation No. 01-2007 of 3 February 2007, amended and completed) on the rules applicable to current transactions with other countries and to foreign exchange accounts.It allows access to 100% of export earnings excluding hydrocarbons for the benefit of the exporter(Bank of Algeria, 2024)within the meaning of Article 04, which stipulates that "The holders of the merchant and professional currency account shall be entitled to enter in the said account all the proceeds of their export earnings of goods and services fully or partially repatriated within the prescribed time limits, and advances on export earnings.

The use of foreign currency assets is divided as follows:

- 80% is for imports of goods and services required for the company's business activity
- 20 % may be used to finance operations to promote export activities, according to the same source.

It should be noted that the exporter must repatriate the revenue from the export within a period fixed at three hundred and sixty (360) days, from the date of shipment, for the goods or the date of realization for the services, according to Regulation No. 2016-04 of 17 November 2016 amending and supplementing Regulation No. 2007-01 of 03 February 2007 of the Banqueof Algéria, on the rules applicable to current transactions with other countries and current accounts in foreign currencies.

C. Customs Facilitations:

Customs facilitations are granted to exporters to encourage and support them throughout the export process, which allows them to reduce costs and save time, as well as develop their activities through the experience of integrating international markets.

These facilitations take place in three stages: procedures, customs procedures, and control.

- **Customs Procedures:** exporters may benefit from simplified procedures, which are characterized by :
  - the superscription of an incomplete declaration, known as a provisional export declaration, which will be supplemented by a final supplementary declaration within the time limits granted by the customs administration.
  - Export under cover of ATA carnet.
  - The consignment sale takes place by subscribing to a provisional declaration of export, accompanied by a commitment to subscribing to a supplementary declaration of reimportations, in addition, the clearance of the provisional declaration is done by one of the three (03) final supplementary export declaration for the goods sold permanently; unsold goods; damaged or destroyed goods abroad.

The deferral of the processing of disputes by examining those disputes likely to arise after subscription of the export declaration shall be deferred until after the actual shipment of the (Algerian Customs, 2024)

- **Customs regimes:** Economic customs regimes allow companies that process products to benefit from the suspension of duties and taxes, thereby promoting exports (Ministery of Trade, 2007).These regimes include inward processing, outward processing, duty-free replenishment, and temporary export for fairs and exhibitions with an option of sale.

D. Customs Control: In general, all exports are subject to very limited and seamless controls, utilizing the fast and prioritized processing of declarations (Green Circle) as well as the possibility of on-site controls and the benefits of Authorised Economic Operator (AEO) status. If a control is required, it should not affect the export process itself

4. Small and Medium Industries; State of the Art:

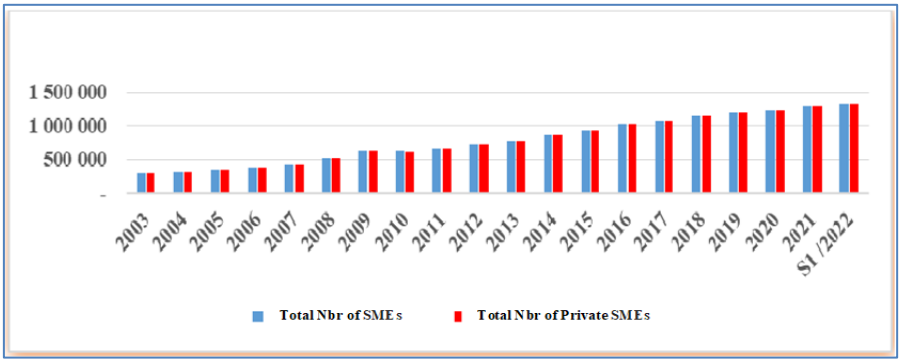
In this context, we will first analyze the share of private sector in the fabric of SMEs, as well as the position of the sector of small and medium industries in the Algerian economy, its components, and its evaluation with a critical vision.

4.1. The Fabric of SMEs; Majority Share in the Private Sector:

By the end of June 2022, the number of SMEs in Algeria reached more than 1.3 million, an increase of 4.45% compared to the same period of the

previous year(Algeria Press Service, 2023), Over the past twenty years, the total number of SMEs has been increasing continuously due to the openness of the national economy to the global economy, in addition to the policy adopted by the authorities, such as the various assistance programs for young entrepreneurs that aim to accompany every private investment initiative, such as the NESDA's programs (ex ANSEJ), ANGEM, CNAC, ANDI; as well as the enactment of an SME law, namely Law N°. 01-18 on the Guidance Law on the Promotion, of Small and Medium Enterprises, repealed by the new Law No. 17-02 of 10 January 2017 on the development of small and medium-sized enterprises (SMEs)

Figure (01):evolution of the SMEs population (2003-S1 2022)



Source :Prepared by the authorsbased onstatistical information bulletins (Ministry of Industry)

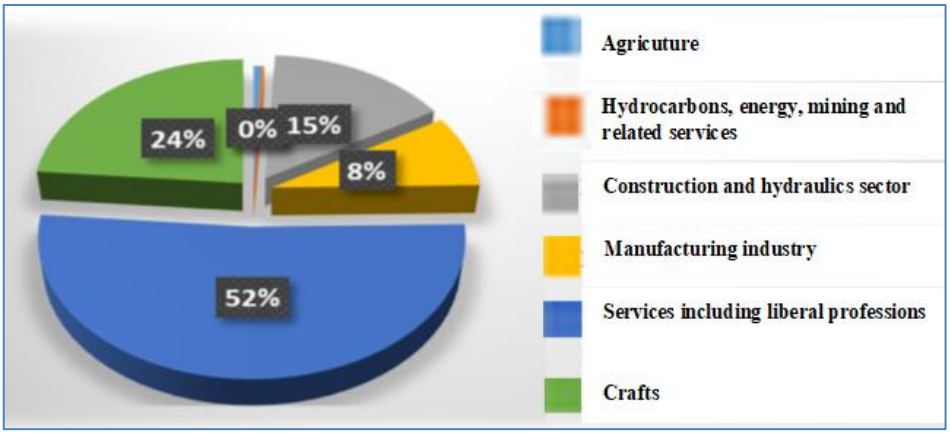
Over the past twenty years, the total number of SMEs in Algeria has grown steadily from 288,587 in 2003 to 519,526 in 2008, doubling in almost five years, reaching 1 million in 2016, with a total of 1,022,621 enterprises, and 1,320,664 in 2022, of which private SMEs accounted for more than 99% during this period, However, in terms of establishment density, which is measured by the number of establishments per 1,000 inhabitants in most(BOUYACOUB Leila, 2021, p. 588). Algeria registered an SME density rate of 29 SMEs per 1,000 inhabitants in the first half of 2022, which is still very far from international standards, estimated between 45 and 60 SMEs per 1,000 inhabitants. Indeed, this density varied between the three regions, namely the north of the payroll with a rate of 32 SMEs per 1000 inhabitants, 23 SMEs per 1000 inhabitants in the Highlands, and 27 SMEs per 1000 inhabitants in the South.

By sector of activity of private SMEs, we note that the dominant sectors are: the services sector in the first place which recorded a share representing half

of the private SMEs, or 49.76% of the fabric of private SMEs in 2013, with 228,592 entities, and a rate of 54.15% in 2018, which saw a small decrease and reached 51.39% in the first half of 2022 with 682,339 entities.

Second, it is the BTPH sector, with a share that represents almost a third of private SMEs between 2013 and 2018, before it posted a rate of 15.28 in the first half of 2022.

Figure (02): Distribution of private SMEs by sector S1-2022

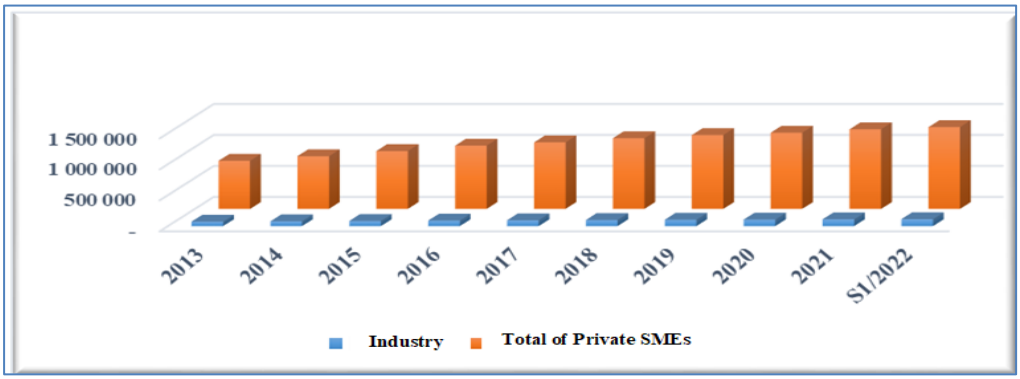


Source:Prepared by the authorsbased onstatistical information bulletins (Ministryof Industry

4.2. Small and Medium Industries; Insufficient Progress:

Small and medium industries accounted for 15.90% of the total private SME fabric in 2013. There is some stability until 2019 when the rate is 8.69%, and 8.62% in 2020 up to 8.55% in the first half of 2022. This situation does not reflect the true potential of this type of business, and its ability to create wealth and employment and participate in socio-economic development.

Figure (03):share of small and medium industries in the fabric of private SMEs(2013-S12022)



Source:Prepared by the authorsbased onstatistical information bulletins (Ministryof Industry).

4.3. Structure of Small and Medium Industries:

The table below shows that the small and medium industries consist mainly of three sectors: the food industry, the wood and paper industry, and the steel, metal, mechanical, electrical, and electronic industries.

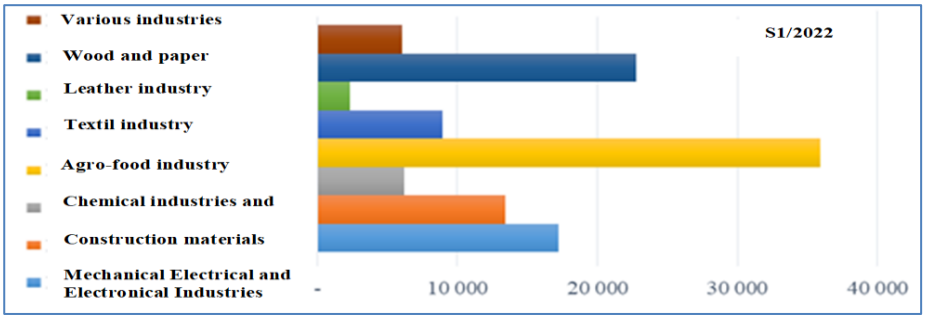
Table (02):small and medium industries by sector of activity (2013-S1 2022)

Branch/Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	S1/ 2022
mechanical electrical and electronic industry	11 196	11 985	12 816	13 756	14 560	15 318	15 884	16 277	16 880	17 214
construction materials	9 708	10 336	11 013	11 782	12 374	12 632	12 842	13 005	13 284	13 455
chemical industries and plastics	3 091	3 398	3 691	3 999	4 358	4 768	5 207	5 509	5 957	6 202
agro-food industry	21 624	23 075	24 746	26 635	28 616	30 590	31 997	32 884	34 418	35 903
Textil industry	5 649	6 178	6 737	7 315	7 810	8 217	8 460	8 560	8 766	8 952
leather industry	1 862	1 951	2 057	2 117	2 177	2 212	2 242	2 262	2 324	2 355
wood and paper industries	15 602	16 594	17 776	18 887	19 745	20 630	21 326	21 792	22 374	22 784
various industries	4 305	4 591	4 865	5 106	5 290	5 498	5 663	5 760	5 916	6 028

Source:Prepared by the authorsbased onstatistical information bulletins (Ministry of Industry).

These three sectors constituted in the first half of 2022 more than two thirds (2/3) of the total number of small and medium industries with a rate of 67% representing 75,901 entities. The rest is divided between the building materials industry, the chemical and plastic industry, the textile industry, and the leather industry.

Figure (04): Structures des petites et moyennes industries S12022

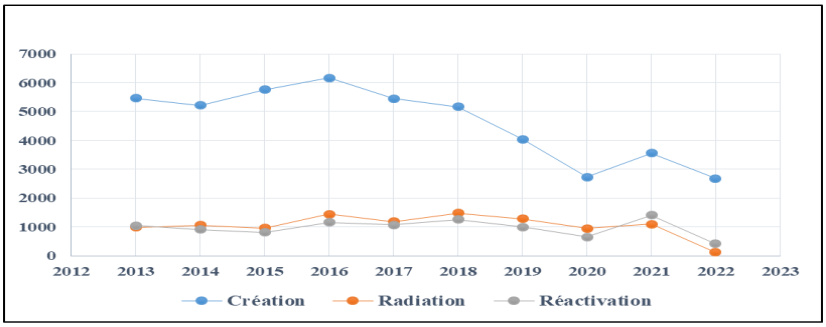


Source:Prepared by the authorsbased onstatistical information bulletins (Ministry of Industry).

The participation of small and medium industries in employment varies between the public and private sectors. They employ 37.16% of the public sector workforce, a total of 7411 out of 19944 in the 224 SMEs in the public sector, while, in the private sector of SMEs, there are 112,893 jobs with a rate of 8.55% out of a total of 1,320,440.

Over the past decade, the small and medium industries sector has experienced a fluctuation in the number of entities created: 5,459 entities were created in 2013, with a small decrease in 2014, before it increased successively until 2016 when 6,172 new entities were registered before it began to decrease and reach 2,728 entities in 2020 and 2,678 entities.

Figure (05): Creation, Radiation, Reactivation of SMs Industries (2013-S12022)



Source:Prepared by the authorsbased onstatistical information bulletins (Ministry of Industry).

Concerning the entities that were delisted and reactivated, the situation remained more or less stable from 2013 until 2016, when there was an increase in the mortality rate of small and medium industries with a total of 1,414 entities before it posted a decrease, notably in the first half of 2022 with 124 entities delisted and 420 others reactivated. Moreover, the curves show that in the period from 2019 to 2020, the creation and reactivation of

small and medium industries have seen a remarkable decline, given the repercussions

5. The Mittelstand, a Spearhead of the German Economy:

The strength of the German business model lies in the diversity of its SMEs. They are specialized in the most diverse fields, often interconnected at the level of skills and distributed throughout the territory (French CCI in Germany, 2021)knownby its famous nickname "the Mittelstand" which is, a manifestation of civil society, stands for the concepts of liberty and freedom with decentralized, decision-making (Annalisa Tunisini, 2013, p. 149).

5.1Definition and Importance of Small and Medium Industries in Germany :

The German economy relies on two solid foundations،namely; large companies and a strong network of small and medium-sized enterprises. The latter represents any company whose number of employees is less than 249 and generating a turnover of fewer than 50 million euros, or a balance sheet total not exceeding 43 million euros, according to the definition adopted by the European Commission (Article 2 of European Commission Recommendation 2003/261, Official Journal of the European Union N° L 124/36 of 20.05.2003), whereas the Mittelstand Institute (IFM), in its definition which refers to quantitative criteria namely the annual turnover (50 million euros) and the number of employees (< 500 employees) - of which several researchers adopt it -, has almost been harmonized with that of the European Commission since 2016; except the criterion of the number of employees

Table (03):: Definition of SMEs in Germany since 01/01/2016

company size	number of employees	Turnover in euros
Micro	Up to 9	Up to 2 million
Small	Up to 49	Up to 10 million
Medium	Up to 499	Up to 50 million
SME (Global)	Less than 500	Up to 50 million

Source :ifm-bonn.org(SME Institute;InstitutfürMittelstandsforschung (IFM) Bonn)

The companies in the Mittelstand are the backbone of the German economy, especially those specializing in manufacturing. They constitute more than 99% of the total number of German companies, which reached 3,374,583 in

2020, of which 23,309 large companies generate more than 50% of the added value. It attracted the majority of trainees and apprentices, as well as more than half of employees and employees.

Small and mediumindustries had 213,652 enterprises in 2020, or 6.37% of all SMEs. With the following diagram, one evokes the weight of the Mittelstand in the German economy.

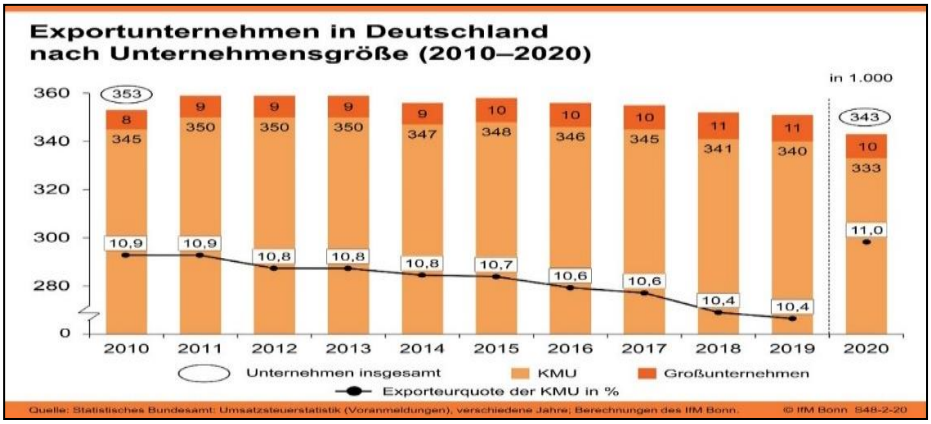


Figure (06): Weight of the Mittelstand in the German

Source : https://www.se-developper-en-allemagne.fr(adapted)

Analyzing the evolution of the number of exporting companies in Germany over the last decade, it is found that more than 300,000 small and medium-sized enterprises (SMEs) have carried out export operations of goods or services each year, especially the ones known for the names of world leaders (hidden champions) very famous internationally. In 2020, there were 333,000 exporting SMEs, with a participation rate that reached 11% of total German exports, while in France and for the same year, the figure did not reach 180,000 exporting SMEs(National Institute of Statistics and Economic Studies France, 2023). Generally the Mittelstand aim to be present in two types of market,firstly in a large number of business-to-business (B2B) markets, and secondly in the consumer durables markets (Bernd Venohr, 2015, p. 09)

Figure (07): Number of exporting companies in Germany, by size (2010-2020)

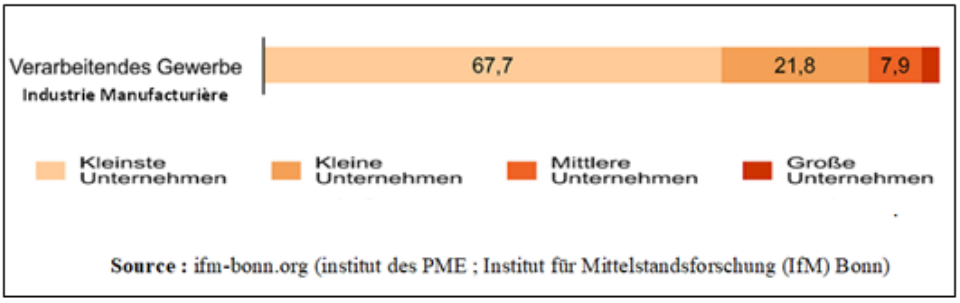


Unternehmen insgesamt = Total companies, KMU = SMEs, Großunternehmen = Big company

Source : ifm-bonn.org (SME Institute; InstitutfürMittelstandsforschung(IfM) Bonn)

On the other hand, as regards the industrial sector, it should be noted that almost all the enterprises in this sector are mainly small and medium industries, with 67.7% of micro-enterprises with less than 10 employees, 21.8% small and almost 8% medium-sized, of which its share of all industrial products exported was 31.9% for 2018 and 2019, and a small increase in 2020, with a rate of 32.6%.

Figure (07): German industry by enterprise size (2020)



Kleinste Unternehmen = Very Small Enterprise, Kleine Unternehmen = Small Enterprise
Mittlere Unternehmen = Medium Enterprise, Großunternehmen = Big company

Source :ifm-bonn.org (SME Institute ;Institut fürMittelstandsforschung (IfM) Bonn)

5.2Main Characteristics of German Small and Medium Industries:

Faced with this strong situation of Mittelstand in the German economy, it is necessary to mention the main elements characterizing this type of enterprise, namely;

- the ownership and management unit, in other words, up to two natural persons or their family members hold (directly or indirectly) at least

50% of the shares of the company, as well as these natural persons, belong to the management (Mittelstand Institute, 2023)

- The Mittelstand can take many faces as; family businesses, start-ups, craft companies, service providers, highly innovative high-tech companies, regional suppliers to global players(French CCI in Germany, 2021)a specific entrepreneurial culture.
- A very high integration rate for alternate trainees and apprenticeships,

strong cooperation between companies themselves, and large companies,
a very high rate of innovation.

- Remarkable export participation and strong international positioning.

Behind these characteristics lies a favorable and motivating process, granted by the German federal and local authorities that provide support programs covering:

- professional training,
- business consulting,
- applied research, development, and technology transfer,
- support for exports, fairs, and exhibitions,
- surveys and studies on the Mittelstand,
- Cooperation between SMEs,
- Improving access to capital, (Reinhart W Wettmann, 2012, p. 74)

In addition, German SMEs benefit from a genuine national industrial and innovation policy; two ministries are responsible: the Ministry of Economy and Energy (BMWi) and the Ministry of Higher Education (BMBF). The two ministries are working together to implement the SME support policy at the national level in Germany (Petra Bleuel, 2018, p. 33)

5.3 Behind the Success of the Mittelstand, Lessons for Algerian Small and Medium Industries :

Several factors define the success of Mittelstand companies. They can be summarized in the following points :

- Their ability to maintain focus and targeting strategies. Thus, these companies choose to focus all their capabilities on a specific field or activity, which multiplies its power to innovation,

- Their openness to international and foreign markets, particularly in emerging countries,
- Their long-term investment strategies,
- A strong attractiveness, interns in alternate and apprenticeship, and young graduates.
- Their flexible management teams,
- Their strong entrepreneurial culture,
- Their mindset and networks between companies,
- Process conducive to entrepreneurship.

In a famous Harvard business review article Herman Simonstudied a sample of thirty-nine firme of the Mittelstand, he concluded that their commitment to, innovation, product quality, and investment in staff capabilityhad made it possible for almost all of the firms, to achieve first place in the world ranking in their nicheindustry (PAULSON, 2023)

If we were to retain elements of the German process to better support Algerian small and medium industries to become exporters, we must, first of all, draw inspiration from the German entrepreneurial culture. Therefore, it is necessary to:

- start injecting entrepreneurship concepts into society, across all educational institutions at all levels
- the creation of a strong relationship between universities and vocational training institutes and small and medium industries, to give students and trainees more opportunities to practice their ideas and realize their university and professional projects.

This policy must be accompanied by a national project to create a positive atmosphere regarding innovation and research, particularly in the industrial field.

The Algerian process is more or less favorable in terms of support and support for small and medium industries wishing to have international experience, it offers many facilitations in tax, customs and support, studies of international markets, and insurance and reimbursement of transport costs; but this is not enough if the effect of bureaucracy and corruption in the administration cannot be successful or marginalized.

Inspire by the German experience, theidea of focusing; by targeting technique, which will allow small and medium Algerian industries to specialize in certain kinds of industries that correspond to their resources and means, and by focusing primarily on nearby markets, namely the Arab and African market.

The need for an industrial strategy has become more urgent than before, and this is what the authorities are seeking by encouraging companies to become exporters to diversify the national economy, the result is the increase in the number of exporting companies from 800 in 2021 to almost 2,000 exporting companies in 2022, with a turnover of $8 billion.

Analyzing the results of our research paper, we can conclude that the role of small and medium industries in Algeria, remains marginal, but the international trend is currently moving towards the development of this kind of companies, having regard to its major role in economic growth, particularly in job creation and its contribution to GDP, which confirms our first hypothesis and affirms the potential of these companies to meet local needs and to integrate the export world,with the exploitation of all the advantages offered by the process of accompaniment and support, at the institutional and religious level, what constitutes a favourable atmosphere for the possible small and medium export industries; and confirms our second hypothesis; less other factors can reinforce the role of small and medium industries, factors derived from different experiences in industrial exports, such as that of the German Mittelstand, leader in exports in Europe;whose small and medium Algerian industries could learn lessons and ideas to enrich the Algerian industrial model, particularly as regards the spirit of entrepreneurship, innovation and research, as well as cooperation and re-routing between companies, which affirms our third hypothesis.

6. CONCLUSION:

Imposing a strong and competitive small and medium industry in Algeria, whether on the local or international market, requires a serious, stable, and long-term strategy. This strategy must bring together all stakeholders in the process of accompanying and supporting small and medium industriesto share responsibility, in particular, that of public authorities and heads of small and medium industrial enterprises. The goal is to make the Algerian

process - already existing - favorable, motivating, and attractive investments in this kind of company. This task borne, first of all, to the government, which has already begun to introduce remarkable reforms, in particular with the strengthening of the legal framework, through the enactment of new SME laws in 2017, and investment in 2022, and to marginalize the effects of factors hindering the proper functioning of the business climate, such as bureaucracy and complexity of administrative procedures. Secondly, the responsibility lies with the leaders of small and medium industries, through their participation in the development of this strategy, by identifying the obstacles they prevent on the ground, and by proposing effective solutions.

Through our researchpaper , we have shown the importance of the German model of SMEs, especially those active in the industry, trying to inspire the elements of success of this experience, especially in terms of entrepreneurial culture, innovation, industrial focus, business-to-business networking system - high performance – the strong relationship between academic programs offered by higher education institutions, and small and medium industries, that ensure a very practical atmosphere for learning.

The small and medium industries in Algeria can become the locomotive of the export of non hydrocarbons goods, if their potentialis released, overcomes the above-mentioned obstacles, tries to be inspired by the model of GermanMittelstand, encouraging the partnerships between companies, which could be the launching and development track of the national product to ensure its competitiveness at regional level in the first place, especially in Arab and sub-Saharan countries, and second in international markets.

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