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Italian Industrial Districts

A Model for Southern and Eastern Mediterranean Countries?

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INTRODUCTION

The challenges of globalization require enterprises to improve productivity, to innovate, to be competitive. In this frame, industrial districts and clusters are increasingly understood as instruments to enhance innovation processes and increase competitiveness.

The growing attention towards this model is also reflected in the wider economic literature that values clusters and industrial districts as efficient policy instruments allowing high growth and socio-economic development potential. As a matter of fact, initiatives aiming at fostering industrial districts, clustering and networks of enterprises are also encouraged at an international level, thanks to cooperation policies.

In the Southern and Eastern Mediterranean Countries (SEM)[1] also, there is growing interest in clusters. As reported in previous studies by IPEMED[2], the three countries of the Maghreb, for example, are implementing initiatives which aim at encouraging the constitution and development of groups of enterprises, organized in networks and clusters, and at creating synergies between the different economic actors of the territory.

As the Italian economic and manufacturing system is well known for being often organized in industrial districts, this study focuses on the Italian experience as an example to develop a model based on districts and to foster forms of cooperation and coproduction between Italy and SEM countries.

As a first step, we will disentangle the concept of industrial districts, focusing on the notion elaborated by Giacomo Becattini, an Italian economist and Professor at the University of Florence. According to Becattini, who studied the specific case of Italy, industrial districts are not simply identified as geographic concentrations of industries, as local communities – and thus the values, history and traditions that are shared within them – play a crucial role. Then, we will look at the definitions adopted at international and national levels in order to identify the variety of regulatory frameworks put in place to date.

As a second step, we will analyze the points of strength which made the Italian industrial districts representative of the national industrial model, based on forms of cooperation among firms and between firms and other actors of the territory.

As this organizational structure may also inspire models of cooperation and coproduction, we will review the Italian economic cooperation with SEM countries and its intervention strategy in the area.

Then, we will explore whether and under which conditions the Italian industrial districts may represent an exemplary model, in particular for SEM countries. We will then provide some insights about the key role that local institutions and the Italian cooperation system may play in promoting industrial districts development and forms of cooperation and coproduction between districts.

1 SEM countries comprise 11 countries of the Southern and Eastern Mediterranean region (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian territories, Syria, Tunisia and Turkey). For the purpose of this study, and coherently with other IPEMED studies of the *"Observatoire de la coproduction"*, we here consider only seven countries: Algeria, Egypt, Jordan, Lebanon, Morocco, Tunisia and Turkey.

2 Pommier, P. (2014). Clusters au Maghreb: vers un modèle de cluster maghrébin spécifique. *IPEMED, Études et analyses* and Pommier, P. (2019). Clusters au Maghreb : entre mondialisation et territorialisation. *IPEMED, Études et analyses.*

What is meant by "industrial district"?

DEFINITIONS IN LITERATURE

THE NOTION OF *"INDUSTRIAL DISTRICTS"* proposed by the economic literature remains heterogenic.

Alfred **Marshall** – founder of the Cambridge School of Economics – defined, in the Principles of Economics (1890), industrial districts as areas where a concentration of firms has settled down[3]. In his views, three aspects are crucial for the development of an industrial district:

- The **localization**: for the closeness to the resources on which the manufacturers depend for their production and for other physical conditions of the territory;
- The presence of a **town**;
- The existence of a **demand for high quality goods** (by the local patronage).

Through a long-lasting localization, the industrial districts acquire a special "*atmosphere*" characterized by:

- A widespread knowledge and information;
- A division of labor among small and medium firms;
- The presence of an organization to develop technological complementarities;
- A combination of forms of cooperation (such as the specialization of each firm in a productive process phase functional to others) and forms of competition[4].

As a consequence, the geographic concentration of firms in districts allows to obtain *"external economies"* such as accumulation, free circulation, sharing of and increase in knowledge among entrepreneurs and workers.

In the specific case of Italy, the notion of industrial districts was conceptualized by **Becattini who studied districts since the 60's.** He defines the industrial district as *"a socio-territorial entity characterized by the coexistence of a community of persons and of a population of industrial enterprises which are located in a specific territory, naturalistically and historically determined"*[5].

Becattini, who reorganized and reinterpreted Marshall's fundamental insights, goes beyond the identification of districts in geographic concentration of industries and rather considers the place – with its combination of natural conditions and outcome of history – as the unit of the analysis[6].

In his view, **the industrial districts are socio-economic systems, where local development forces and territory become crucial**[7].

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Indeed, his notion of industrial district encompasses the **crucial role played by the local community**, which he calls a *"milieu"* (unlike Marshall who refers to it as *"an atmosphere"*), which is a socio-cultural and institutional environment in which firms operate and without which they would not exist[8]. The community is characterized by a **group of people who strongly share values, who are also informally reported in the local institutions and in their practical functioning. The population of industrial enterprises is deeply rooted in the territory:** firms specialize in one or few phases of the typical local production process, being part of the same sector and becoming interdependent on each other, in an integrated production chain. **Workers in the district share a strong work ethic and a continuous redistribution of human resources**, which maintains the district competitive and increase the specialization and qualification of the workforce[9].

3 Belussi, F., & Caldari, K. (2008). At the origin of the industrial district: Alfred Marshall and the Cambridge school. *Cambridge Journal of Economics*, 33(2), 335-355.

4 Ibidem.

5 Becattini, G. (1989). Riflessioni sul distretto industriale marshalliano come concetto socio-economico. *Stato e mercato*, 111-128.

6 Becattini, G. (2011). Beyond the geo-sectoriality: the productive chorality of places. *Sviluppo Locale*, 15(39), 3-16.

7 Schilirò, Daniele (2017): *Italian industrial districts: theories, profiles and competitiveness.* Published in: Management and Organizational Studies , Vol. 4, No. 4 (December 2017): pp. 1-11.

8 Sforzi, F. (2008). Il distretto industriale: da Marshall a Becattini. *Il pensiero economico italiano*, 16(2), 1000-1010.

9 Becattini, G. (1989). Riflessioni sul distretto industriale marshalliano come concetto socio-economico. *Stato e mercato*, 111-128.

In this frame, the influence of social variables such as the **sense of belonging, trust, communitarian behavior, propensity for cooperation** become essential. Then, according to Becattini, the district is a **socio-economic construct**[10] **where members are identified on the basis of their sense of belonging to a community** (and its history, culture, values, traditions...).

Therefore, **Becattini's conceptualization of industrial districts may lead to some fuzziness in the empirical identification of their administrative and political borders**.

To this point, the work of Michael Porter, professor at the Harvard Business School, has been one of the most influential and successful as a policy tool[11]. In the 90's, Porter defined the notion of ***"cluster"*** as geographic concentrations of inter connected companies, specialized suppliers, service providers, firms in related industries and associated institutions (for example, universities, standards agencies and trade associations) in a particular field, which compete but also cooperate[12]. Whereas in this definition the presence of a local community of people is not specifically stated and the unit of analysis is merely identified as a geographic concentration of industries, the borders to implement a policy are more easily defined.

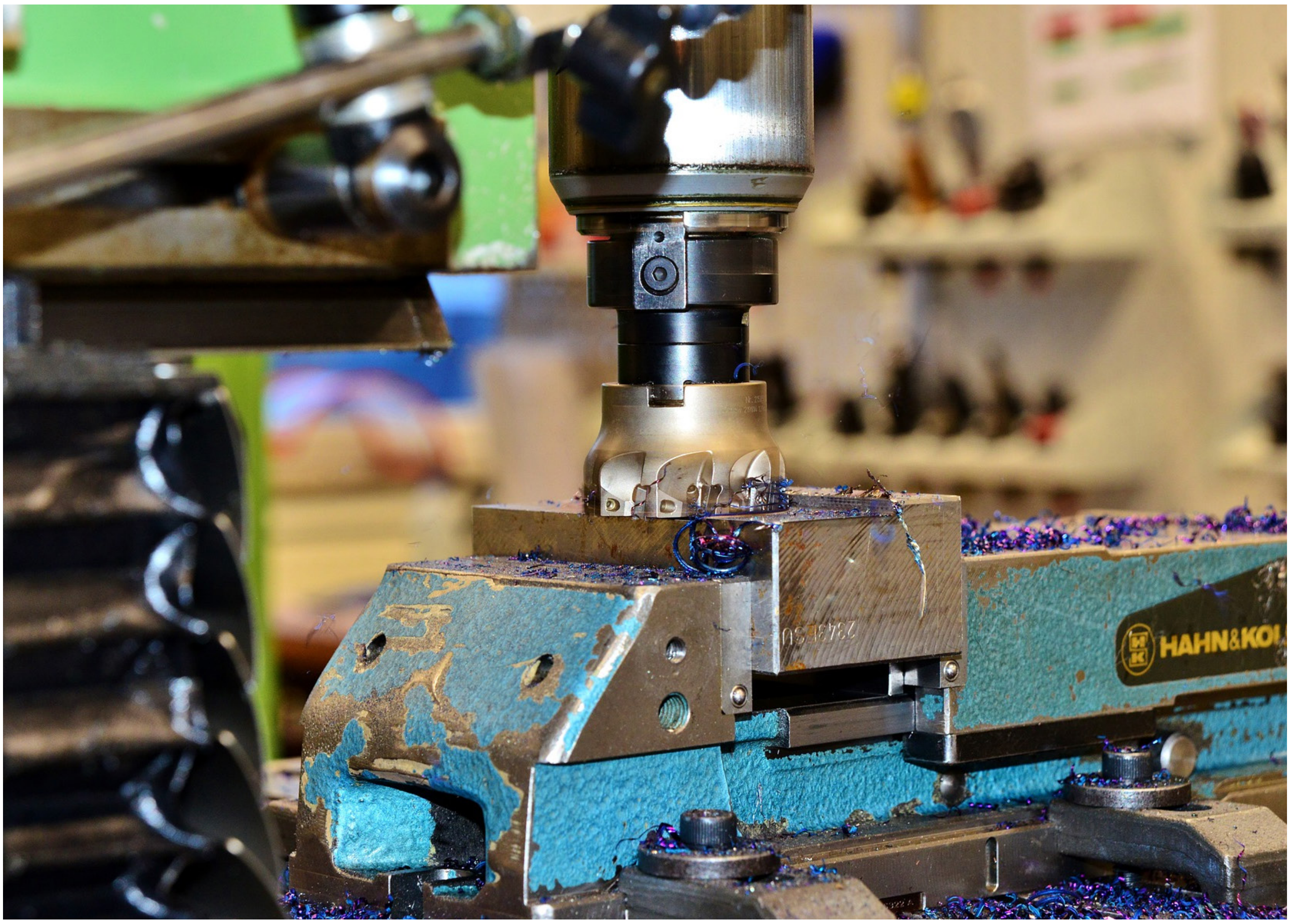
As a consequence, industrial districts have been often considered as a particular case of clusters[13] and most organizations and policy makers refer more easily to the concept of cluster rather than to the one of district, as we will see in the next paragraph.

10 Schilirò, Daniele (2017): Italian industrial districts: theories, profiles and competitiveness. Published in: Management and Organizational Studies, Vol. 4, No. 4 (December 2017): pp. 1-11.

11 Ibidem.

12 Porter, M. E. (2000). Location, competition, and economic development: Local clusters in a global economy. *Economic development quarterly*, 14(1), 15-34.

13 Sforzi, F. (2008). Il distretto industriale: da Marshall a Becattini. *Il pensiero economico italiano*, 16(2), 1000-1010.



DEFINITIONS ADOPTED AT AN INTERNATIONAL LEVEL

The European Commission (EC) defines clusters as *" a group of firms, related economic actors, and institutions that are located near each other and have reached a sufficient scale to develop specialized expertise, services, resources, suppliers and skills"*[14]. In this definition, we can acknowledge the concept of geographical concentration in a given region, which is nonetheless not defined by spatial boundaries or political borders, but from relationships, networks and cooperation between firms and institutions. However, at the same time, we can notice that the definition does not take into account the social dimension. In fact, the "European Cluster Observatory"[15] project, an initiative of the Directorate-General GROWTH of the EC implemented in 2006, is largely inspired by Porter's approach to map clusters across European countries. The EC thus uses the *"cluster"* term as an umbrella which encloses a number of different experiences (e.g. the *"pôles de compétitivité"* in France and the innovation clusters in Germany).

The Organization for Economic Cooperation and Development (OECD) rather uses interchangeably the terms *"local productive systems"*, *"industrial districts"* or *"regional clusters of innovation"*, considering that the three are characterized by *"the tendency of firms in related lines of business and their supporting organizations to concentrate geographically"*. The concepts refer to:

- Agglomeration economies, as clustering is the *"local concentration of horizontally and vertically linked firms that specialize in related lines of business together with supporting organizations"* to achieve economies of scale, lower transaction costs and increase interactions;
- The endogenous development theory, as localization economies allow to develop specialized labor and business services as well as public sector investments;
- Economies of innovation, as systems of innovation due to forms of cooperation among firms in the district allow to create a common knowledge, to share know-how and create knowledge spillovers in the process[16].

14 European Commission's Staff Working Document SEC (2008) 2637, 'The concept of clusters and cluster policies and their role for competitiveness and innovation: Main statistical results and lessons learned', Luxembourg.

15 https://ec.europa.eu/growth/industry/policy/cluster/observatory/about_en visited the 1st August 2018.

16 Möhring, J. (2006), «Clusters: Definition and Methodology», in *Business Clusters: Promoting Enterprise in Central and Eastern Europe*, OECD Publishing, Paris, https://doi.org/10.1787/9789264007116-3-en

The United Nations Industrial Development Organization (UNIDO) adopts instead a broader concept of clusters, defining them as *"geographical concentrations of inter-connected enterprises and associated institutions that face common challenges and opportunities"*[17]. This definition highlights two essential features of clusters:

- The geographical proximity in which a critical mass of enterprises is situated, where the *"proximity"* is not only physical but can also be influenced by the availability of transports, cultural identity and social values;
- The common features shared within the cluster, from the same suppliers to the same clients and finally, the same territory, infrastructures, services, support institutions and so on.

The UNIDO approach thus includes the social capital development and, in particular, it sees in trust-building activities a central issue in strengthening cluster development.

The number and fuzziness of terms and definitions internationally used is also reflected in the wide range of public initiatives targeted to clusters development.

17 UNIDO (2013), "The UNIDO approach to cluster development – Key principles and project experiences for inclusive growth.", UNIDO technical paper.

DEFINITIONS ADOPTED AT NATIONAL LEVELS[18]

SPAIN

Spain first adopted, in the early 90's in Catalonia and in Basque Country, Porter's approach to identify clusters defined as strategic partnerships between industries and universities. The aim was to promote policies to encourage the constitution of clusters, to foster innovation and networking and, ultimately, to promote a cooperative development.

FRANCE

In france, since the early 2000's, the *"pôles de competitivité"* are the constitution of partnerships, over a given geographical area, among companies, training centers and public or private research units engaged in a common innovative project. By means of calls for industrial and scientific projects, the government supports the constitution of inter-company and inter-institutional partnerships and acts as a facilitator. It also allows the representation of the public bodies (as regions and departments) interested in the development of clusters, and their project participation through political support, definition of cluster strategies, mobilization of human and engineering resources, animation, communication on projects, funding of studies.

ITALY

In italy, the legislation on industrial districts started with the Law 317/1991 and the subsequent Ministerial Decree of 1993 (*"Guarino Decree"*), defining - through a Marshallian view - an industrial district as *"a territorial area characterized by a high concentration of small enterprises characterized by a particular productive specialization, where there is a particular relationship between the presence of companies and the resident population"*. Later on, the Law 140/1999 provides a broader and more inclusive definition which does not limit the identification of a district to a geographical concentration of enterprises but expands the notion to systems having a high productive specialization. The Law indeed states that districts are *"local productive systems [...] characterized by a high concentration of industrial enterprises, mainly of small and medium size, and [...] by the productive specialization of business systems"*.

GERMANY

In germany, the *"Kompetenznetze Deutschland"* (networks of competences) is an initiative created in 1998 and still ongoing, grounded on the association – on a long term basis (sustainability criteria) – of regional actors of the educational, research and industrial sectors to realize and exploit high-value added innovations able to become competitive products.

18 For more information, also on other countries such as Denmark, Sweden, the UK, the USA and Japan, see Largier, A., Lartigue, S., Soulard, O., & Tarquis, C. (2008). Clusters mondiaux : Regards croisés sur la théorie et la réalité des clusters-Identification et cartographie des principaux clusters internationaux. *Etude réalisée pour le compte du Conseil Régional d'Ile-de-France.*

The Italian industrial districts

The Italian economic and productive system is driven by the presence of a large number of small and medium enterprises (SMEs), as 95% of Italian enterprises have less than 10 employees. Those firms are often aggregated in districts and organized in networks.

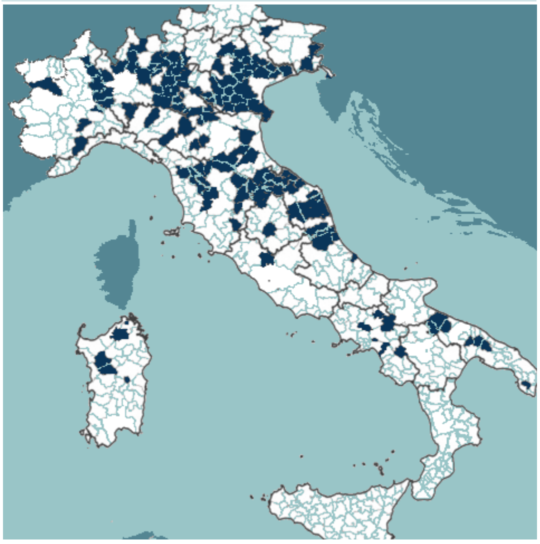
In a seminal lecture of 1995, Becattini[19] proposed an explanation to the Italian entrepreneurship development during the 60's and to the emergence of the industrial model based on districts.

The key elements he identified, albeit not comprehensive, were:

- The abundance of labor supply and workers prepared to accept low wages due to high unemployment rates in the aftermath of the war; as a consequence, the opportunity for capital earners to invest, to easily obtain productivity gains, to increase their profits and, then, to reinvest again;
- The presence of market outlets for the Italian products, also thanks to liberalization policies, which facilitated exports (it was also the period of development of international trading rules);
- The booming entrepreneurship which unlocked the potential of individual initiatives flattened during the Fascist era. In that time, the creation of small enterprises in Italy evolved into a mass phenomenon;
- Well-chosen political decisions (from the Sinigaglia Plan, on which the Italian metal working industry was based, to the Fanfani Plan for social housing) and some entrepreneurial ones (from the *"Italian way to motorization"* by FIAT to Enrico di Mattei's ENI company), creating the material infrastructure for economic growth;
- A responsible political and trade union approach, allowing to build the basis for a widespread good administration.

Today, districts still characterize the Italian industrial model.

FIGURE 1: The Italian industrial districts, 2011



Source: re-elaboration of the map of Istat (2015), "I distretti Industriali 2011 – 9° Censimento dell'industria e dei servizi e Censimento delle istituzioni non profit", Roma.

Istat – the Italian National Institute of Statistics – provides a Census of Italian industrial districts every 10 years, since 1971. It identifies industrial districts as *"socio-territorial entities constituted by a community of enterprises and people, as well as by territorial relations, also by the socio-economic ties that this co-presence generates. These enterprises mainly belong to the same sector of economic activity, which defines the main industry, and are characterized by small and medium dimensions"*[20]. Then, Istat uses a methodology to identify industrial districts based on the so-called *"Sistemi Locali del Lavoro (SLL)"* (local systems of work), which are defined by the workers' daily journeys between the municipality of residence and the municipality of work.

According to the last Census made in 2011, **in Italy there are 141 industrial districts, within which lives 22% of the population.** Districts are concentrated in the North of Italy, in particular in the regions of Lombardia, Veneto and Emilia Romagna. In the center of Italy, districts are concentrated in the regions of Marche and Toscana, while there is just one district in the region of Lazio. Only few districts are present in the South (see *Figure 1*).

19 Becattini, G. (2000). Dal «miracolo economico» al «Made in Italy». *Economia Marche*, 1, 7-30.

20 Istat (2015), "I distretti Industriali – Anno 2011", Comunicato Stampa, 24 febbraio 2015.

Districts are still a fundamental part of the national industrial economy. They represent a fourth of the Italian productive system and employ a third of the total Italian manufacturing workforce[21]. They also account for almost 70% of the commercial surplus of the entire manufacturing industry[22], revealing a certain **dynamism in their internationalization process**.

Districts demonstrated their **ability to overcome the difficulties of the global economic crisis of 2008 and 2009 and to adapt to the challenges of globalization**.

Since 2001, the number of districts has diminished by 40 units, but their dimension has grown: on average, districts are constituted by 15 municipalities (versus 13 in 2001), have 94,513 inhabitants (versus 67,828 in 2001) and employ 34,663 resident workers (versus 26,531 in 2001)[23].

In fact, districts are more concentrated today than they were in the past: many micro and small firms have been brought out of the market, but lead companies have strengthened their role by reorganizing their productive process and their supply chain and have gained a competitive advantage through brand diffusion, patents, product quality and environmental certifications.

Then, their model is still considered as able to stimulate the economy and to foster local development. In particular, a structure based on small firms allows for **flexibility and resilience to changing markets**, which bigger firms do not have. Industrial districts have indeed proved their **dynamism in exploiting their know-how and the excellence of their networks**: after the economic crisis of 2009, which heavily affected the manufacturing Italian sector, districts appeared to be more competitive and solid than firms outside the district areas.

Districts are then particularly valued for their **ability to innovate and develop according to bottom up processes**, rooted in the local contexts, traditions and values as well as local forms of socio-economic organization. This industrial model formed during the 50's and 60's, but it was during the 70's and 80's that the model significantly developed, consolidating the ***"Made in Italy"*** brand as an index of high quality, high specialization and creativity. The factors that have fostered their emergence have been identified in, among others, **the presence of an artisanal culture, which promoted a spontaneous process of skill specialization, innovation, cooperation between companies and with the territory**.

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Today, still, most of the districts (130) are representative of the *"Made in Italy"* in the mechanical industry (27.0%), textile and clothing (22.7%), household goods (17%), skins, leather and footwear (12.1%) and food industry (10.6%)[24] as showed in *Table 1*.

Nonetheless, in an advanced economic system such as the Italian one, the added value of the product is also due to the services that precede, accompany and follow the transformation process. As a matter of fact, the manufacturing chain is increasingly linked to services such as R&D, product design, logistics, marketing activities and post-sales costumer assistance.

In this frame, forms of cooperation among the various actors of the territory facilitate the achievement of external economies such as:

21 Istat (2015), "I distretti Industriali 2011 – 9°Censimento dell'industria e dei servizi e Censimento delle istituzioni non profit", Roma.

22 Intesa Sanpaolo – Direzione Studi e Ricerche (2017), "Monitor dei distretti e dei poli tecnologici", Novembre 2017.

23 Istat(2015), "I distretti Industriali – Anno 2011", Comunicato Stampa, 24 febbraio 2015.

24 Istat (2015), "I distretti Industriali 2011 – 9°Censimento dell'industria e dei servizi e Censimento delle istituzioni non profit", Roma.

- **Economies of scale**, thanks to joint actions between the districts' firms (e.g. joint input provision, joint marketing activities) which increase efficiency and make SMEs able to face the challenges of the international market that could not otherwise be addressed;
- **Economies of specialization**, thanks to the transmission and development of knowledge and know-how among firms belonging to the same industry and constituting an industrial chain or a vertically integrated sector;
- **Economies of innovation**, thanks to the on-site presence of highly skilled workers, the facilitation of a learning process *"on the job"*, the sharing and dissemination of information and a system of coordination between the different actors of the territory, which reduce transaction costs and enable to improve their own products and productive processes as well as to develop their own manufacturing tradition.

TABLE 1: Industrial districts by specialization, 2011

SPECIALIZATION	N° DISTRICTS	PERCENTAGE ON TOTAL DISTRICTS
TEXTILE AND CLOTHING	32	22.7
LEATHER AND FOOTWEAR	17	12.1
HOUSEHOLD GOODS	24	17.0
JEWELRY, MUSICAL INSTRUMENTS…	4	2.8
FOOD INDUSTRY	15	10.6
MECHANICAL INDUSTRY	38	27.0
METALWORKING INDUSTRIES	4	2.8
CHEMICAL, PETROCHEMICAL AND PLASTIC PRODUCTS INDUSTRY	5	3.5
PAPER CONVERTING INDUSTRIES	2	1.4
TOTAL	**141**	**100**

Source: Istat (2015), "I distretti Industriali 2011 – 9° Censimento dell'industria e dei servizi e Censimento delle istituzioni non profit", Roma.

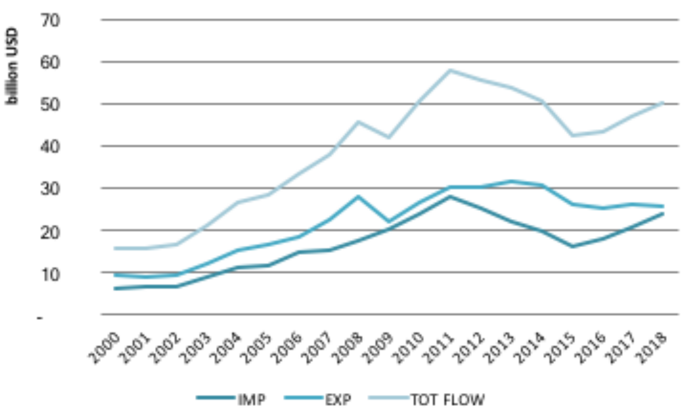
Italian economic cooperation with SEM countries

Geographic proximity, close economic ties and interests, but also political instability and migration flows, make SEM countries of strategic importance for European countries and, in particular, for Italy.

Despite the political instability of some of these countries, the **commercial flows between Italy and the SEM countries have grown over the past 15 years** (see **Graph 1**). In 2017, trade between Italy and the SEM countries accounted for almost 42 billion euros, (with 23.5 billion euros of Italian exports towards SEM countries and 18.5 billion euros of imports), representing about 5% of the Italian total commercial flows[25].

In particular, Italy has a rather balanced and solid relationship with Turkey, being one of its main trading partners, and with Lebanon, for a less relevant commercial flow; a more unbalanced and poorly diversified relationship with Algeria and Egypt because of the imports of natural gas, refined petroleum products and crude oil, for which Italy is their first client; a more diversified relationship with Tunisia and Morocco where commerce is less focused on hydrocarbon in favor of manufacturing products such as clothing, footwear, vehicles and fisheries; and a trade balance with Jordan traditionally favorable to Italy.

GRAPH 1: Italian commercial flows with SEM countries (billion USD), 2000-2018



Source: our elaboration on data from UN Comtrade. Data retrieved in June 2019.

In 2017, Italian Foreign Direct Investments (FDI) in the SEM countries amount to 27 billion euros, which is almost the 6% of the total Italian FDI. The majority of these investments are made in Algeria (34%), followed by Egypt (27%) and Turkey (26%)[26]. Investment projects are made by enterprises that have progressively increased their presence in these countries. Italian firms are present especially in Tunisia (510 enterprises mainly in the textile, clothing and construction sectors), Turkey (450 enterprises mainly in the banking, energy, infrastructure and defense sectors), Morocco (251 enterprises mainly in the textile, clothing, steel, logistics and transport sector); Algeria (171 enterprises mainly in the energy, construction, telecommunication, mechanical, defense and transport sectors) and Egypt (156 enterprises mainly in the energy, textile and construction sectors), followed by Lebanon and Jordan, where few dozens of enterprises are present[27].

In 2017, Italian Foreign Direct Investments (FDI) in the SEM countries amount to 27 billion euros, which is almost the 6% of the total Italian FDI.

25 Our elaboration on data from Osservatorio economico - Ministero dello Sviluppo Economico, 2018.

26 Our elaboration on data from Banca d'Italia, "Italy's direct investment by counterpart country", last updated December 2018.

27 Data are from the REPRINT-Politecnico di Milano-ICE, 2015.

The strategic importance of SEM countries for Italy is also acknowledged by the **Italian Cooperation System**, which classified SEM countries as a priority. In 2016, Tunisia and Egypt were respectively ranked at the second (gross amount of 23.2 million euros) and third (gross amount of 16.1 million euros) place among the Italian Official Development Aid beneficiary countries. Lebanon received a gross amount of 18.32 million euros, being the second beneficiary country in the Middle-East. Since 2016, Jordan is also a priority country (to support the country in dealing with the devastating impact of the Syrian crisis). In 2016, it received a gross amount of 5.31 million euros[28].

After the Arab Spring, which led to transitions with diverse outcomes, **the Italian Cooperation system reorganized its intervention strategy in the area**: initiatives aimed at fostering economic growth are intensified, with a particular focus on the local entrepreneurial fabric and the youth employment.

28 Farnesina – Ministero degli Affari Esteri e della Cooperazione Internazionale (2017). La strategia italiana nel Mediterraneo. Stabilizzare le crisi e costruire un'agenda positiva per la regione. Mediterranean Dialogues 3rd edition, Rome 2017.

In particular, **the Italian strategy in the Mediterranean countries** – among other things – is based on[29]:

- **The export of high quality products**, as the growing middle-class in Mediterranean countries is increasingly able to buy high quality Italian products, representing a growing outlet market;
- **Long term investments, the creation of industrial partnerships, technology transfers and knowledge exchanges** in strategic sectors in order to increase its presence in these countries;
- **The support to the development of SMEs** through:
  - The provision of loans to small and very small entrepreneurs with low interest rates and of an easier access in terms of guarantees;
  - The provision of *ad hoc* technical assistance to individual entrepreneurs, trade associations and cooperatives, with particular attention to female entrepreneurship.

29 Ibidem.

Italian industrial district as a model for SEM countries

The Italian industrial districts cannot be easily transplanted elsewhere, as the exceptional development of the Italian industrial model based on SMEs organized in districts in the 60's, as seen in "The Italian industrial districts", was facilitated by a number of contingencies (high labor supply, good business climate, openness to international markets and, in particular, the explosion of entrepreneurship as a mass phenomenon).

Nevertheless, the Italian industrial district may represent a model in contexts like SEM countries to boost the economic growth and support socio-economic development. In addition, the region – despite the social and political instability following the Arab Spring – represents an area of socio-economic opportunities for Italian firms which, to date, still consider the openness towards Mediterranean and African countries as a challenge.

> The Italian industrial district may represent a model in contexts like SEM countries to boost the economic growth and support socio-economic development. In addition, the region represents an area of socio-economic opportunities for Italian firms which, to date, still consider the openness towards Mediterranean and African countries as a challenge.

Comprised of "Lower Middle – Income" and "Upper Middle – Income" countries, the region is growing, even if not at the rates experienced in the years preceding the global and European economic crisis of 2009, and preceding the intra-regional conflicts due to the revolutionary events in 2010-2012.

In 2017, the GDP has grown at a rate of 7.4% in Turkey, 4% in Morocco and Egypt, about 1.9% in Tunisia and Jordan, and about 1.5% in Lebanon and Algeria[30]. In per capita terms, given the high population growth, in 2017, the average GDP growth was of 1.6%, but with stagnating growth rates for Tunisia (0.82%) and even negative ones for Algeria (-0.35%), Jordan (-0.48%), and Lebanon (-0.7%). On the other hand, Egypt (2.2%), Morocco (4.2%) and Turkey (5.8%) have a growing per capita GDP[31]. These rates are higher than the world average.

Thus, the region represents an expanding market. Moreover, some of these countries have started **structural reforms with the aim to improve the business climate and create wealth and employment**.

Then, opportunities to develop forms of cooperation and coproduction among the economic actors of the various territories, inspired from the model of the Italian industrial district, should be further explored.

This issue cannot be addressed without **considering the necessary investments in the local social capital in order** to foster the conditions for the development of the territory. These conditions may underpin social cohesion, the sharing of a system of values, traditions and rules and the promotion of relationships between the actors of the territory. Whenever these conditions are created, a **bottom-up process** which incentivizes entrepreneurship, the creation of a system of specialized enterprises and the promotion of a productive environment is likely to be launched. The development of industrial districts is indeed a long-term process.

In this process, local institutions as well as the cooperation system may play a key role.

To take advantage of the geographical proximity between Italy and SEM countries, which favors commercial flows and economic integration, local institutions may **reduce entrance barriers and barriers to cooperation among firms** to foster spontaneous mechanisms of specialization, enterprise creation and incremental innovation. An adequate institutional framework,

30 Data from the World Bank, World Development Indicators. Data retrieved in June 2019.

31 Data from the United Nations, Department of Economic and Social Affairs. Data retrieved in June 2019.

a business system, infrastructures and assets should be provided in order to promote the development of SMEs and a positive business climate.

Furthermore, the cooperation system may play a strategic role in **addressing the (tariff and non-tariff) barriers reduction for business internationalization and in financing development projects**. To this aim, it may also **enhance public-private dialogue and promote active collaboration** among the different actors.

In this sense, the Italian cooperation system in the Mediterranean countries is particularly well placed. Indeed, in 2014, with the reform of the Italian cooperation system, the private sector has been recognized as a new actor in development cooperation. Indeed, in line with the Addis Ababa Action Agenda on financing for development, the Law n. 125/2014 (General Discipline on International Development Cooperation) acknowledges the **need and opportunity to involve the private sector in the cooperation for development and allows public support for private sector initiatives with development objectives consistent with the Italian cooperation programming**. Art. 8, for example, encourages loans to local SMEs through credit aid; Art. 16, promotes public-private partnerships; Art. 27 allows loans to Italian businesses which aim at creating joint ventures in partner countries.

Considering that industrial districts might be promising environments for the development of SMEs in SEM countries, local institutions should also provide education, training and financial support to offer sustainable employment opportunities and to boost entrepreneurship.

Considering that industrial districts might be promising environments for the development of SMEs in SEM countries, local institutions should also **provide education, training and financial support to offer sustainable employment opportunities and to boost entrepreneurship**.

The Italian cooperation system may sustain this process through the provision of **technical assistance for industrial districts development and the provision of support to improve the local labor market so that high-skilled workers would be present in the territory**.

This may represent a **major challenge in the region, where the rapidly growing labor force is affected by high unemployment rates**. Indeed, because of the slow pace of economic and governance reforms, in 2018, Jordan and Tunisia registered an unemployment rate of about 15%. Only Morocco (9%) and Lebanon (6%) registered rates under 10%. **Youth is the most affected**, with 47% of unemployment in Lebanon, 35% in Tunisia. The same applies to **women, with registered unemployment rates much higher compared to men's**: 21% versus 10% in Algeria; 22% versus 13% in Tunisia; 23% versus 8% in Egypt. More details are available in *Table 2*.

TABLE 2: Unemployment rates in SEM countries, 2018

2018	Algeria	Jordan	Lebanon	Tunisia	Turkey	Egypt	Morocco
Unemployment, total (% of total labor force)	12.15	15.02	6.17	15.48	10.90	11.44	9.04
Unemployment, youth total (% of total labor force aged 15-24)	29.95	37.24	17.36	34.83	19.98	32.60	21.88
Unemployment, female (% of female labor force)	21.32	22.96	9.85	22.58	13.61	23.10	10.36
Unemployment, male (% of male labor force)	10.14	13.31	4.95	12.92	9.57	7.81	8.62

Source: our elaboration on data from the World Bank– The World Development Indicators. Data retrieved in May 2019.

INITIATIVES BASED ON INDUSTRIAL DISTRICT COOPERATION IMPLEMENTED TO DATE

District cooperation activities between Italy and SEM countries are to date not really developed.

To the best of our knowledge, there are only two initiatives based on the model of districts active to date in SEM countries (see info boxes below). Moreover, no available public data exist on their progresses and socio-economic impacts, at the moment, any value judgment of these experiences about their capacity to foster local growth and territorial development would be inappropriate.

A cooperation agreement between the "Distretto della pesca e crescita blu" of Mazara del Vallo (Sicily) and the Tunisian Union of Industry, Commerce and Crafts (UTICA)

Signed in May 2018, this agreement aims at launching joint projects for the professional training of workers, at carrying out scientific and productive cooperation activities through the involvement of Italian and Tunisian public institutions, and at promoting and developing maritime, agro-food and craft clusters between SMEs with the support of scientific institutions and universities, according to the principles of green, blue, circular and bio-economy.

A project of technical assistance to the Robbiki leather district in Cairo, Egypt:

The project started at the end of 2017 and is still ongoing. The project follows the "Robbiki Program", launched in 2014 by the Egyptian government, aimed at creating a new leather district and thus at concentrating the production activities related to the leather tanning in this area, also transferring those located in the central Old Cairo area of Magra el Eyoun, where they are carried out by outdated and highly polluting production means.

Conclusions

Industrial districts and clusters are increasingly understood as efficient policy instruments which drive innovation and enterprises creations, thus fostering growth and promoting socio-economic progress. Therefore, this model represents a medium-long-term opportunity to create jobs, especially for young workers, by boosting the development of the Southern and Eastern Mediterranean Countries.

Nonetheless, the mere aggregation and geographical concentration of firms do not ensure positive spillovers and better economic performances. The Italian conceptualization of industrial districts, which goes beyond the geographical concentration and focuses more on the role of the local community – and its socio-cultural and institutional environment – might be taken as an example to stimulate the economy according to bottom-up processes, rooted in local contexts, traditions and values as well as local forms of socio-economic organization.

As a matter of fact, Italian industrial districts are valued for their dynamism, flexibility and ability to overcome the difficulties of economic crises and to adapt to the challenges of globalization thanks to a resilient capacity to changing markets. In addition, they are known for their industrial and manufacturing model based on SMEs, local artisanal culture and traditional know-how.

Then, the Italian model of industrial districts may be further explored as a good example for SEM countries, and opportunities linked to forms of cooperation and coproduction between Italy and SEM countries are still to be developed.

To date, only two cooperation initiatives based on the Italian district model are known to have been activated in SEM countries and their progresses and socio-economic impacts shall be investigated.

Anyhow, in order to foster the conditions for the development of the territory, local social capital investments are required. Local institutions, as well as the international cooperation system, may play a key role. In particular, they might:

- Reduce – tariff and non-tariff, institutional and structural – barriers to cooperation among firms;
- Finance SMEs' development projects, facilitate access to credit and boost entrepreneurship;
- Enhance the public-private dialogue and promote active collaboration among the different actors of the territory to create a positive business environment;
- Provide education, training, technical assistance and support to the local labor market.

In this sense, the Italian cooperation system in the Mediterranean countries is particularly well placed as, since the 2014's reform, it recognizes the need and opportunity to involve the private sector in cooperation for development and thus provides public support to private sector initiatives with development objectives.

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