EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

416TH PLENARY SESSION, HELD ON 6 AND 7 APRIL 2005

Opinion of the European Economic and Social Committee on European industrial districts and the new knowledge networks

(2005/C 255/01)

On 1 July 2004 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on European industrial districts and the new knowledge networks.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 16 March 2005. The rapporteur was Mr Pezzini.

At its 416th plenary session, held on 6 April 2005, the European Economic and Social Committee adopted the following opinion with 127 votes in favour and 3 abstentions.

1. Introduction

1.1 Districts have been the subject of a great deal of debate at all levels and in all the industrialised countries, particularly over the past 15 years. Developing countries and the Mediterranean partner countries alike have sought to emulate the district system that has become established in many European countries, in order to boost the development of their business sectors.

1.2 Furthermore, analyses had shown the positive impact of districts on employment policy and had given many examples of good practice (1) in the area of corporate social responsibility years before the Commission presented the related Green Paper (2).

1.3 Meanwhile, new economic and social phenomena and the new knowledge-based networks have altered the districts' traditional links, steering production systems towards metadistricts (3) and the need to create networks between individual economic areas.

1.4 In an attempt to sum up this vast theme, the present own-initiative opinion touches upon the following topics:

— Section 2: Definitions and unresolved issues
— Section 3: From districts to European knowledge-based metadistricts
— Section 4: Districts in the USA and at international level
— Section 5: The current situation and existing instruments in the European Union
— Section 6: Towards a new strategic EU policy approach to the knowledge-based districts
— Section 7: Concluding recommendations.

1.5 The aims of this own-initiative opinion on the new European networks of intelligent districts (4) are to:

— carry out a field analysis of existing industrial districts, technology districts and 'metadistricts';

(1) See Becchettini on industrial districts and social ramifications, 1995.
(3) From Greek, 'meta' which means 'after', 'beyond' or 'surpassing'. Thus, the metadistrict goes beyond the traditional realm of the district and is built on the traditional district.
(4) Intelligent/knowledge-based/technology districts are the 'new' districts, which, contrary to industrial districts, make full use of information and communications technology.
— evaluate the conditions for the successful development of new districts and analyse their potential in the context of the Lisbon Strategy, both in the current Europe of 25 and in the future Europe of 28;

— lay the foundation for an integrated European policy to promote new European networks of knowledge-based districts and metadistricts;

— highlight the instruments needed to implement this policy, to evaluate existing districts and to suggest possible modifications and innovations;

— set out the basis for the emergence of a genuine European platform (1) of reference for the new European networks of knowledge-based districts within the Europe of 25;

— contribute to the creation of more and better jobs.

1.6 The European Economic and Social Committee has emphasised on many occasions, the commitment made by the European Council when it defined the central aim of the Lisbon Strategy as that of making Europe 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'.

1.6.1 Now more than ever, growth strategies must be based on the capacity to:

— join up the various development policies as effectively as possible;

— increase the involvement of the social partners, with a view to securing more advanced employment development and giving districts more momentum;

— strengthen exchanges between technological research and local industrial development;

— achieve a high critical mass of industry, training and research institutes, advanced SMEs, skilled human resources, financial and other services, risk capital and public and private decision-makers;

— speed up the development of production and distribution systems into permanent European networks based on knowledge, the ability to share information and expertise, and the capacity to absorb, improve and pass these on.

1.7 More than four years on from the launch of the Lisbon strategy, one cannot help but be disappointed by the modest progress made towards realising its objectives and responding thoroughly to the process it champions. Even the Lisbon strategy report by the High Level Group, chaired by Wim Kok, concludes that 'the disappointing delivery of the strategy has been due primarily to a lack of determined political action' adding that 'the agenda has been overloaded, coordination has been poor and there have been conflicting priorities' (2).

1.8 At the European Council meeting in Brussels on 4 and 5 November 2004, the president of the European Commission stressed that the Kok report 'provides a realistic, but worrying, assessment of progress. It shows that we must act now to make up for lost time' (3). More specifically, he stressed the need to ‘refocus priorities, measure progress and assume greater responsibility for following them through’ (4). The Committee has also stated its views on this subject in its recently adopted opinion (5).

1.9 The resetting of priorities under the Lisbon strategy should, in the opinion of the EESC, treat industrial districts and their development as a key element in the creation of new knowledge and, above all, more and better jobs. This will involve drawing on the considerable opportunities provided by the networks, which can generate repeated cross-fertilisation between the codified knowledge of research and the tacit knowledge (6) that spreads and takes root in production and distribution systems.

1.10 The promotion of initiatives at local level and the capacity to network them in furtherance of the Lisbon Strategy is essential: first, to encourage the setting-up and development of innovative businesses throughout the Union, particularly in the new Member States; and second, to increase the opportunities for these businesses to meet and cooperate, in a spirit of stronger economic and social cohesion.

1.11 The new ‘open technological districts’ enable the integration and networking of all the players operating in a given area with those of other areas.

(1) COM(2002) 714 final of 11.12.2002 specifies that platforms ‘could be considered to foster marketplaces for cooperation … and work out a long-term strategic plan for R&D for specific technologies … They would ensure synergy among public authorities, users, regulators, industry, consumers, and poles of excellence … There is a need for coherence between research, which can create new opportunities, and the downstream regulatory framework in which these technologies can be developed and marketed’.


(3) Speech by the president designate of the Commission to the Brussels European Council on 4-5 November 2004.

(4) Ibidem cfr. 7.


(6) Nelson, R and Winter, S.G. (1982), An evolutionary theory of economic change. Tacit knowledge, as opposed to information and codified knowledge, is not formalised and can only be generated through social interaction/relationships.
1.12 In practical terms, European networks of open technological districts are essential for achieving the following objectives:

— securing better quality jobs that unlock workers’ full potential through greater responsibility, higher involvement and a new cultural maturity;

— disseminating technologies and know-how and speeding up the translation of innovative applications into market success;

— securing better, more skilled employment and providing an impetus for new, more diversified professional profiles;

— promoting greater awareness of conservation and protection of the environment and of the local areas where the districts operate, and pinpointing the most appropriate means of promoting social, economic and environmental sustainability;

— enhancing economic and social cohesion and improving governance in the area: the aim is to codify common rules and language and to achieve the type of community that grows in a permanent cycle of mutual learning;

— consolidating and developing permanent, practical communication and cooperation networks, that link up companies, workers, inventors, communities, public and private institutions, the financial world, universities and other educational establishments, the commercial and marketing systems and many other regional development players;

— reinforcing young people’s natural sense of initiative and entrepreneurial spirit;

— developing the industrial and distribution fabric of the new enlarged Europe in a harmonious and competitive manner and accelerating its full integration into a new greater single market.

1.13 In today’s increasingly globalised world economy, the development of a knowledge-based Europe has major implications for the national, regional and local order and for the international balance. These implications relate to the rapid acquisition and application of new technologies, the international-level recruitment of skilled human resources and, lastly, the opportunity to decentralise the organisation of the production and distribution process, while ensuring it remains cohesive and flexible and retains high standards of quality.

1.14 The phenomena of globalisation and the almost simultaneous appearance and development of network technologies have brought about short-, medium- and long-term changes for the production economy and, in particular, for the district economies.

1.15 The current districts have already developed their openness towards new markets and supported the more recent political changes, including for instance the increasingly frequent relocation of manufacturing activities, encouraged by the environmental conditions in certain countries and backed up by an increasing level of computerisation.

1.16 In EU-25, on average, 50% of district output is destined for the foreign market. The districts thus already have an internationalised industrial structure, and their sights regarding sales are set increasingly on the international market.

1.17 There must be a shift from internationalisation to globalisation:

— in addition to product placement on foreign markets, globalisation must involve the various phases of the production process;

— the system for finding information on traditional and new markets, regarding possible foreign partners and the potential of areas beyond current borders must be bolstered, in order to back up market penetration policies and possible partnerships;

— the ‘foreign’ domain must be diversified, in terms both of production locations and of sales points, setting up networking and co-business strategies in order to involve the other operative areas and their specific characteristics; this must be done, not only from a business perspective, but also and above all with a view to sources of innovation, research and new projects and ideas, always bearing in mind the industrial, financial, organisational and training-related aspects;

— it is essential to make the most of the cultural identities of the individual areas, in order to profit to the full from their integration and inclusion within a European network;

— to rise to the new challenges of competitiveness, it is becoming essential to develop continuing training and new professional skills (11).
1.19 Currently, European industrial districts are under the spotlight as they are going through a very delicate phase. They have two types of problem to deal with:

— the opening-up of and competition from new markets (Asian countries being the most dangerous),

— the need to reorganise and renew relationships between companies, not least by bringing in new technologies and new tacit or codified knowledge.

1.20 The new configuration of competitive models on the global market is imposing major changes. The new integrated platforms and networks must address themes relating to research and innovation, the design of new products and production processes, the management of new, more skilled human resources and new materials, promotion and marketing, finance and credit, logistics and market and client service management.

1.21 At international level, the region most strongly marked by the industrial district and cluster phenomenon is North America, where they have multiplied in number from the Pacific coast to the Atlantic; for instance: Silicon Valley, the San Diego industrial clusters and Route 128. Though they differ in terms of their level of industrial development, there are also districts in Latin America: in Mexico (the Guadalajara Cluster), in Brazil (Sinos Valley) and Uruguay (the Meat Cluster). As far as Asia is concerned, significant examples can be found in India (the Agra Cluster, the Tiruppur Cluster and the Ludhiana Cluster), in Pakistan (the Sialkot Cluster), in South Korea (the Consumer Microelectronics Assembly Cluster) and Indonesia (the Central Java Cluster). The district phenomenon has also reached Africa: there are even a number of them in some countries of Sub-Saharan Africa.

1.22 In Europe, apart from the dozens of examples in Italy, the most significant are to be found in France, where, as a result, the French Industrial Districts Club was founded in 1998, and Germany, where there are over 50 ‘Raumordnungsregionen’ and the especially important initiative in Baden-Württemberg. The British examples are also very important (in particular, the Cambridge High-Tech Cluster, the Motor Sport Cluster in Birmingham or those in Scotland or other regions). A number of positive examples have grown up in Scandinavia, where great importance is given to learning as the cornerstone of development, facilitated by proximity. In the new Member States, significant examples are to be found in various regions of countries such as the Czech Republic, Hungary, Poland, Slovenia, Malta and the Baltic States.

2. Definitions and unresolved issues

2.1 It is not easy to provide a single definition for a district phenomenon that is so varied, dynamic and diverse at world level.

2.2 In general terms, the industrial districts may be defined as local, homogeneous productive systems, featuring a strong concentration of industrial companies, mainly of small and medium dimensions, with a high level of production specialisation.

2.3 The final report of the European Commission’s Enterprise DG expert group on Enterprise Clusters and Networks (12), defines districts as:

‘Groups of independent companies and associated institutions that are:

— collaborating and competing,

— geographically concentrated in one or several regions, even though the cluster may have global extensions,

— specialised in a particular field, linked by common technologies and skills,

— either science-based or traditional,

— clusters can be either institutionalised (they have a proper cluster manager) or non-institutionalised,

— the cluster has a positive influence on: innovation and competitiveness; skill formation and information; growth and long-term business dynamics.’

2.3.1 Over recent decades, the districts that began life encouraging the creation and development of production activities in the industrial and services sector, in areas with specific economic characteristics, have developed in a largely autonomous way, focusing their activities on specific sectors, in which they acquired and developed very significant competitive advantages. The need to meet ever higher quality and safety standards then led the district companies to focus on increasingly specialist market niches, as attested by the high quality of their products.

2.4 The districts are not only groups of companies that may be specialised and located in a given area: they are groups of companies that play according to team rules. Each grouping cooperates on projects and competes together, while the local area, far from being just a backdrop against which the companies operate and produce, is a genuine facility promoting integration socially, economically and in terms of the production cycle. In essence, the local area is a storehouse of production traditions and practical knowledge.

(12) See the final report of the expert group on Enterprise Clusters and Networks, page 9 – European Commission, Enterprise directorate-general, 2002 map project.
2.5 The acceleration of information transmission and the opportunity to explore the entire supply panorama within a short timeframe has both made companies’ work easier and forced them to adapt. The balance within districts has changed. The emergence and consolidation of new technological models has involved the entire production chain, with an impact on professional profiles, work organisation, the development of workers and areas of growth.

2.6 Increasingly, the districts are linked to and integrated with specialised service centres, vocational training schools, universities, technology parks and research centres in the local area. The quality of the product provided, a vital factor in the survival of the district companies, is based mainly on their capacity to marry existing production traditions with the demand for innovation and specialisation expressed or perceived by the market.

2.7 More and more, the internationalisation of production demands that companies invest in a transnational network. In cases where the network within which they intend to build their competitive advantage goes beyond the local sphere, SMEs and major multinational companies alike have to be able to count on adequate technological facilities, to enable them to pool and process knowledge, and on a responsible and motivated workforce.

2.8 While tending to penalise companies that are used to operating in restricted markets, increased market integration provides others with major opportunities for new market outlets, particularly the more dynamic SMEs. Major technological changes do not always work to the advantage of the larger companies. Often, the net economy neutralises factors such as geographical distance or the availability of an independent distribution network, thus removing some of the traditional weak points of SMEs. They must however be able to take full advantage of the opportunities that technological development can offer, with support from assistance and service centres.

2.9 The internet has partially overcome geographical limitations. Essentials such as the rapid exchange of information or monitoring opportunities, that used to depend on a reduction in journey times, are now secured by IT connections.

2.10 Although there are a lot more opportunities and possible activities than previously, the internet still cannot compete with interpersonal contact. Face-to-face contacts, based on knowledge and experience, are still irreplaceable. Although the internet has partially negated geographical distances and changed district structures, prompting companies to operate increasingly with players beyond their local (and often national) borders, a relationship of trust between players is still essential.

3. From districts to European knowledge-based metadistricts

3.1 Increasingly, traditional industrial districts are being joined by and in some cases transformed into metadistricts. In contrast with classic districts, these may be defined as integrated industrial platforms, within which technology sector players expand to take in new centres of knowledge processing and applied research and look beyond their immediate neighbourhood to develop production and distribution systems that focus on shared values and strategies.

3.2 Metadistricts enable the various phases to take place in geographically distant locations, chosen on the basis of economic factors and local opportunities, while maintaining productivity levels and, especially for manufacturing, guaranteeing quality by means of a ‘learning by interaction’ process, that enables a shift from a mainly reactive to a proactive approach.

3.3 As the shift towards the metadistrict takes place, the district must increasingly act as a knowledge laboratory. The policies necessary to support the repositioning of the district within a global logic must be conducted by the public institutions (particularly the local and regional authorities) but also, first and foremost, by the companies, and must concern human resources and the level of innovation, in a process which fully involves public and private executives.

3.4 The metadistricts step up the network between small, medium and large companies, which interact together and tighten their cooperation and working links with the most advanced centres of scientific and technological research. The driving forces here are:

— leading players, i.e. those able to steer the development of the sector;

— investments made to obtain high technological standards;

— cooperation between companies, and between companies and the research system;

— motivating and training the workforce at all levels.

3.5 As a rule, there are four elements that help to identify a metadistrict:

— multisectorality: there is a chain-based approach, that involves an entire service, area of research or development activity,
-- **locality**: the concept of geographical proximity is replaced with one of network links and of making the most of the various cultural identities of the partners,

-- **importance**: the sectors represented in the metadistricts are important to the economy and feature a significant number of knowledge production centres,

-- **leadership**: there are leader companies able to steer the metadistrict, in an environment that features a strong SME presence.

3.6 The process of understanding the phenomenon with a view to planning **support for metadistricts** is undoubtedly still more complex and multifaceted, not least since, as already mentioned in relation to the definition of the metadistricts, the aim is to select, on an experimental basis, production areas of excellence, with strong existing or potential links with the world of research, production and innovation. Understanding these phenomena is complex however as there has been little empirical study on the subject and little statistical documentation.

3.7 The planning process must include all the elements needed to improve the analysis of the **metadistricts’ properties**:

-- identifying and quantifying the **traditional players**: companies operating in specialised production sectors, producing raw and semi-processed materials, machine tools or production services; sector components; pinpointing leading specialisations for each sector; models for technological transfer between companies;

-- identifying and quantifying **new players in the system**: universities; scientific research centres; technological services to companies; communication and marketing; identifying lead players; relations and interactions with the production chain; models for technological transfer and cooperation;

-- **benchmarking analysis at national and international level**, in order to: pinpoint similar production systems; evaluate macrodynamics in the respective contexts; assess development strategies implemented by the public authorities in the specific contexts, and assess systems for public-private relations and university-research-company relations;

-- assessing the **competitiveness of metadistrict sectors and the potential of the system**: conducting SWOT analyses of metadistricts, with particular attention to weak points and risks;

-- identifying **guidelines for intervention**: policies and activities for research, investment, internationalisation and competitiveness on foreign markets;

-- establishing the degree of training and involvement of all levels of workers employed in the districts.

3.8 The shift towards a system governed by knowledge brings major **governance problems**:

-- the development of the district into a form of open network, or a local network incorporated within global production, distribution and knowledge-use networks, requires district companies to shift from the old system of **production-based division of labour**, which had worked well for them, to a new **system centred on knowledge that is extended to all operators and public and private executives at all levels**. While the old system centres on the capacity to manage the practical operations of manufacturing, the critical resource of the new system is the **capacity to manage global information flows**, to communicate using scientific or technological language, and to **manage complex organisational models**, all against a backdrop of the in-built need of the district to reinvest in vocational training and structured knowledge;

-- the central interactive processes are **cooperative and trust-based links between the districts’ entrepreneurs, and between entrepreneurs and employees**, the pluralistic organisation of the production process, and the cooperative relationship between companies, and between companies and local/regional authorities. The key element is the value of the concept of **social capital within the district system** (13), and the way in which policies respond to the gradual dissipation of that social capital and the degeneration of the vibrant and dynamic system of local interaction;

-- the district contains a kaleidoscope of ambitions and frustrations, competition, emulation and collaboration, that defines the entire **community**, it is designed in such a way as to penalise disadvantageous practices and reward those that favour district development, by conferring a **seal of approval**.

3.9 **New service structures that act as a cognitive interface between the local context and global networks** seem, lastly, to be gaining in importance. New agencies are emerging, geared to the needs of local companies and to the original mechanisms of competition and cooperation, and designed to facilitate the development of the production context.

(13) A survey on district workers highlights a strong sense of participation and motivation among workers, even at the lowest levels (Lombardy region, preamble to the Law on Metadistricts, 2004).
4. Districts in the USA and at international level

4.1 According to some estimates, there were already as many as 380 districts/clusters in the USA in the mid-1990s, operating in a broad range of manufacturing and services sectors and representing 67% of the working population and 61% of US output (14). Many such sectors were born out of crises in regional production, as was the case for the Californian San Diego Clusters that emerged from the restructuring of the defence sector. They have benefited from the prominent role played by state and local governments in launching a process that has since been taken up by the private sector. In Arizona, for instance, a government commission launched an initiative in local universities to identify local districts, grouping the main private sector players and thus promoting the creation of district organisations to assess and address the difficulties and opportunities for individual districts. Similar initiatives have been launched in other American states, such as New York State, Minnesota, Oklahoma and Oregon.

4.2 In Canada, the federal government has placed the creation and development of knowledge-based, internationally recognised industrial districts at the centre of its ‘innovation strategy’. This involved the main federal granting agencies identifying the research investment made in 27 of the country’s regions and cities. As part of the Canadian innovation strategy, one of the main objectives of federal innovation policy is to develop at least 10 internationally recognised ‘technology clusters’ by 2010. In Canada, it is quite common for there to be a major research institute, often a university, at the centre of an industrial district (15).

4.3 In Asia and Latin America, examples are extremely varied. There are districts in India and also in China. In Pakistan, pressure from the new competitive drive sparked by market liberalisation and globalisation has accentuated the tendency to work with industrial associations and with the services they provide in order to meet internationally recognised quality assurance standards. In Brazil and Mexico, the districts have had to face international competition over prices as a result of strong Chinese inroads into the North American market. This competition has led to greater vertical integration on the one hand and to district differentiation on the other.

4.4 In New Zealand, local governments have taken various initiatives to promote industrial districts. In Australia, meanwhile, there have been a number of bottom-up initiatives, such as those taken by the local authorities in Adelaide, Cairns and Hunter Valley, which identified groups of companies, developed a dynamic between them in relation to their respective needs, and in some cases secured government grants for studies, consultancy and secretarial services.

5. The current situation and existing instruments in the European Union

5.1 In many parts of Europe, industrial policy, that until present had been generally directed towards sectoral policies and initiatives, has started to look to the local area as well, in order to sustain the conditions that contributed to the success of ‘Made in …’ labels around the world. Frequently, however, local production systems encounter difficulties in finding adequate answers from an organisational and managerial point of view. This has opened the door to new types of support, no longer directed at individual companies, but rather focusing on the local system as a whole.

5.2 Local government authorities, together with universities, research institutes, business associations and credit institutions, are committed to supporting measures aimed at disseminating innovation, promoting quality, boosting the marketing of local products, and, lastly, generating system projects, by means of initiatives geared towards business relations.

5.3 Industrial districts are now legally recognised in various European countries (in Italy, for instance, by Law 317/1991), and are unanimously considered to be a genuine success for national economies. This is especially true of Italy. Despite this, it is not easy to pinpoint them precisely, and official figures do not add up when it comes to their number or their sectors of specialisation.

5.4 Initiatives to promote districts have been conducted at regional level in Italy (in Piedmont, Lombardy, Veneto, Emilia Romagna and Tuscany), in Spain (Catalonia and Valencia) and in Germany (e.g. the BioRegio, Exist and InnoRegio initiatives). In France, DATAR (16), an interministerial department under the responsibility of the prime minister, has formulated specific policies to support the development of local production systems (SPL), which are part of the French Industrial Districts Club. There are many examples of districts in Scotland, Wales and Northern Ireland.

5.5 The Nordic countries too have developed their own approaches to district policy. In Denmark, the district method has had a major impact on the country’s economic policy, and in Finland, the promotion of districts has influenced not only economic policy but also scientific research, technology and education.


(16) DATAR: Délégation à l’aménagement du territoire et à l’action régionale.
5.6 In the new Member States, since 2000-2001, various district development programmes have been launched, including the ‘cooperation’ programme in the Czech Republic and the NFT GVOP programme, which covers the development of industrial parks (18) emerging from an NGO (18) called the Association of Industrial Parks, in Hungary. Hungary now has 165 industrial parks, which account for 18% of industrial employment and 28% of industrial exports. Between 1997 and 2003, it invested EUR 46,182,000 (17) in industrial parks. The PGK (20) programme was launched in the western trans-Danube region and the SME Clustering/Networking programme in Poland. In 2000, Slovenia launched a three-year programme for district development involving over 500 companies and 50 institutions. Over 130 pilot projects and trials are under way in the Baltic States. In Malta, the local authorities have implemented a strategy to support key districts in sectors such as health, oceanography, information technology, aviation and services. There are also significant examples in the applicant countries, such as that of the Timisoara district in Romania. In 2001 in Bulgaria, as part of the Phare programme on Capacity building for accelerated growth of the SME sector in Bulgaria, five potential districts were identified. With a view to developing them further, the ministry of economic affairs decided to create a national agency with the specific task of managing their development.

5.7 In the Netherlands, the district method has been incorporated directly within government policy and programmes, while in Austria specific policies have been launched to strengthen the links between research institutes and the private sector, reducing regulatory and administrative obstacles to innovation, promoting specific districts and establishing competence centres.

5.8 District-promoting policies call for a systemic and integrated approach taking account of the links between companies, between industrial sectors, and lastly between companies, institutions and local authorities. Following this approach, the private sector should be the driving force behind initiatives, while the public sector should act as facilitator and catalyst.

5.9 The ‘district system’ is at the root of various forms of horizontal integration between companies, ranging from links between primary and ancillary companies, and within the sector, to outsourcing. This integration paves the way for maintaining a high degree of flexibility, and also for securing the economies of scale typical of large companies, by means of integrated production. By breaking down the various processing phases, the district is able to provide autonomously for all the phases of the production chain within the sector in which it operates. Production costs can thus be managed flexibly and market requirements can be adjusted to more easily.

5.10 The success that districts’ products have found on international markets is also the fruit of their great capacity to innovate and of ongoing research to improve products. This is encouraged by the competition between each district’s companies and by interaction with local universities and/or academic institutions. As a result of these synergies, even sectors commonly considered to be less developed from a technological point of view, such as the textiles and clothing industries, have become competitive at international level.

5.11 Up to now, the factors taken into consideration to determine indicators for the possible presence of a district have included business density, sectoral specialisation, and percentage of employees in the manufacturing sector. It has always, therefore, been a matter of quantitative values, in line with the aim of deciding on an objective basis. Factors such as economic profile, product innovation, companies’ overall strategy and, most importantly, the ‘network’ element must also be taken into account however. That last factor is vital both for determining the origin of the district structure and for pinpointing the future strengths of the metadistrict, with a view to a close link between business and research.

5.12 At EU level, various initiatives could contribute to the development of European technological districts. However, a genuinely integrated policy has yet to evolve to promote the development of innovative district networks, in line with the relaunch of the Lisbon strategy required by the European Council on 4 and 5 November 2004 and with the commitment to weave the economic fabric of SMEs in the old and new Member States into the enlarged single market as rapidly as possible.

5.13 The EU-15 had a series of Community instruments that could be used to promote the development and creation of knowledge-based district networks. These instruments fall largely under regional policy, research and development policy, business and innovation policy, information society policy and training policy.

5.13.1 Regional policy — Substantial financial appropriations have enabled the research-innovation policy of the Structural Funds to give a real boost to regional development, through the innovative actions of Article 10 of the ERDF, the RIS programme (Regional Innovation Strategies) and Community initiatives such as Interreg III-C. The European Investment Fund and the European Investment Bank meanwhile offer the ‘Growth Initiative’ as a means for SMEs to set up innovative networks.
5.13.2 **European RTD policy** — The Sixth research and development framework programme 2002–2006 is an important source of potential support for knowledge-based districts, especially in the realms of:

— new instruments, integrated projects and networks of excellence, set up with a view to meeting the objectives set out in the horizontal thematic priority for SMEs;

— the ‘research and innovation’ strand;

— Marie Curie fellowships for companies under the second specific programme;

— the ERA-NET coordination scheme;

— the science and governance action for technology foresight.

5.13.3 The ‘More Research for Europe: Towards 3% of GDP’ action plan provides for a series of new actions at national/European level. Furthermore, it will be possible to develop support initiatives for Europe’s knowledge-based districts via the services deriving from the Galileo radio navigation and satellite positioning programme.

However, as has been highlighted in recent reports, including in particular the one on small business involvement in the programme, access for small companies can be fraught with difficulty, particularly in the new Member States (21).

5.13.4 **Enterprise policy** — The following should be noted with regard to enterprise and innovation policy:

— the Innovation and SMEs programme;

— the RITTS programme (Regional Innovation and Technology Transfer Strategies);

— the TRIP projects (Trans-regional innovation projects);

— the PAXIS pilot action, for the creation and development of networks of innovative companies, and the other pilot actions under way, supporting the development of sectoral networks of industrial districts;

— the Euro Info Centre Network.

5.13.5 Interesting Enterprise DG initiatives include those for the development of district networks and the work done by the IDABC programme to support companies and company networks. The initiatives for cooperation between industrial districts on EMS-EMAS (Eco-Management and Audit Scheme) certification, financed at regional level, are of particular note in the context of the joint sustainable development measures managed by the Environment DG.

5.13.6 **Information Society policy** — Under the eEurope 2005 programme and, more specifically, within the eGovernment, eBusiness, eCommerce, eProcurement, Broadband networks, eInclusion, and Go digital initiatives, there is great potential for projects to support district networks.

5.13.7 **Education and training policy** — Various measures provided for under the Socrates and Leonardo programmes can be used to promote training for the knowledge-based networks, and initiatives can also be planned under the e-Learning and eEurope 2005 programmes.

6. **Towards a new strategic EU policy approach to the knowledge-based districts**

6.1 At the Spring 2004 European Council, it was stressed that: ‘measures taken at the European level are only part of the formula for putting the Lisbon strategy on the right track; numerous reforms and investments, which are the responsibility of the Member States, have yet to be achieved’ (22). This stance was reaffirmed at the European Council on 4 and 5 November 2004, to which Wim Kok submitted his report (23).

6.2 The most significant challenges relate to three fundamental strategic areas for growth:

6.2.1 The development of intelligent trans-national networks: this is to be achieved using for instance the Community Growth Initiative and giving priority to investment in research, innovation and lifelong training. Another important element is the identification and skilling of new professional profiles, stepping up the use of network cooperation instruments under the sixth framework programme.

6.2.2 Bolstering companies’ competitiveness on the global market and environmental sustainability: in part this will involve the development of broadband communications and high-speed networks, necessary for research and innovation (GEANT), use of the Galileo programme pilot applications, and the development of initiatives under the eEurope 2005 programme.

(21) See Cordis press release, ‘EU project aims to increase SME participation in the 6th FP’ (14.01.2005); see also European Commission, five year assessment of IST research & development (17.01.2005).


(23) See footnote 2.
6.2.3 Building up ‘neighbourhood policy’ (24) in the enlarged Europe: the aim should be to generate better rooted and more consistent synergies with the new Europe’s neighbours with a view to establishing an area of prosperity and security, implementing cooperation mechanisms on sensitive issues such as the management of common borders, the control of migratory flows and the fight against organised crime.

6.3 In all the EU countries, and especially in the new Member States, there is a growing awareness of the importance of district networks and industrial clusters as a means of strengthening competitiveness and productivity, reinforcing employment policy, boosting the quality of work and encouraging the development of small and medium-sized enterprises.

6.4 The EESC thinks that there should be a Union-level integrated policy to set up a European platform to support the establishment of new European networks of knowledge-based metadistricts.

6.5 The EESC is convinced that these metadistricts are a genuine key to success in a global market, as they can secure SMEs better access to high-level skills, modern shared services and new knowledge-based facilities, while also improving company management and making for a better informed and more mature workforce.

6.6 The EESC would argue that the creation of a European platform for districts could provide a much needed, coherent, transparent and easily accessible framework for SMEs and for old and new Member States, the applicant countries and the EU’s European neighbours.

6.7 This European platform for districts should have the capacity to coordinate the many policies managed by the various DGs, currently available instruments and Community actions.

6.8 The financing allotted to this platform must be sufficient to enable it to support Union action. The measures coordinated through the platform and conducted under the Lisbon strategy could without doubt contribute to the development of SMEs that are especially rich in deep-rooted tacit knowledge. Community initiatives could codify that knowledge and convert it into a common fund, as well as transferring it to European networks.

6.9 The European platform for districts should provide a programme framework for:

— new European metadistrict network initiatives for specific industrial sectors, when necessary; for instance the creation of technological platforms in the biochemistry, aerospace, textiles or information and communication technology sectors;

— new initiatives designed to develop a common strategic vision, in order to explore future European options in fields in which product and process innovations are being tested, anticipating potential developments;

— strategic capacity building actions for district networks in the old and new Member States, the applicant countries and neighbouring countries;

— ascertaining the relation between metadistricts and employment policy;

— measures to promote the cultural growth of workers in district organisations;

— the exchange of best network practice, on the basis of harmonised criteria for evaluations and procedure: the aim here is to form a solid basis for the enlarged Europe’s research and innovation area, with impact assessments and clear and comparable feedback, so as to gather an appropriate amount of codified and transferable knowledge;

— joint training measures for district managers, business leaders and financial and credit system managers, to be implemented in conjunction with political decision-makers and public sector officials, and with local and regional authority executive officers who are also involved in the training process;

— the creation of Jean Monnet Chairs (25) on the new knowledge-based district networks, and of European prizes for the most successful and transferable examples of European districts;

— the establishment of a system of study fellowships for district technology agents, so as to finance the presence within the networks of researchers and experts in technology marketing and auditing;

— the development of a strong communication and information function based on an interactive portal on the knowledge-based districts;

(24) The Barcelona process for the Mediterranean (since 1995); the Association and Stabilisation Process for the Western Balkans; the cooperation and partnership agreements with the countries of the Commonwealth of Independent States (former USSR).

(25) Between the beginning of 1990 and October 2003, the DG for Education and Culture approved approximately 2,300 teaching projects on European themes: these include 82 European Poles, 601 Chairs and 1,560 permanent courses and modules. The calls offering funding are published annually on the following website: http://europa.eu.int/comm/education/programmes/ajm/index_en.html
— incentives to access expertise and projects, with assistance from the Joint Research Centre institutes, in particular the Institute for Prospective Technological Studies in Seville;

— the inclusion of a specific budget line in the seventh RTD framework programme for the development of knowledge-based district networks;

— the inclusion of a programme of support activities for district development, within the new cohesion policy framework for 2007-2013.

7. Concluding recommendations

7.1 Deindustrialisation is under way in all the more advanced countries. In the EU, value added of the tertiary sector has risen to 70% of total GDP (22% for industry, 5% for construction and 3% for agriculture) (26). The process should not, however, be encouraged, since a large part of the value added is channelled to, or originates in, businesses (27): trade and transport 21.6%; financial and business services 27.2%; public administration 21.6% (28).

7.1.1 Policies capable of supporting and spreading a culture that heightens district experience can, indubitably, do much to enable districts throughout the enlarged EU to compete with countries where low labour costs go hand in hand with a lack of dialogue between the social partners and a disregard for health and safety standards at the workplace.

7.1.2 In the EESC's view, the new policy should aim to make greater use of the competitive edge which stems from adopting positive socially responsible practices in businesses (29). This would lead all workplace players to invest production with a sense of awareness and responsibility, meet delivery deadlines, establish a 'fair price' (30), and ensure a competent, punctual, thorough after-sales service.

7.2 The EESC calls for an approach that steps up new district networks, especially in the new Member States, in order to stimulate informed, market-led demand.

7.3 Degressive aid should be paid out over a period of three or four years to cover feasibility and start-up analyses, network brokerage and sustainable development costs and lab costs for certification purposes.

7.4 Technological environments and social relations change rapidly and call for the speedy creation of new professional profiles. Continuing training instruments (31) are therefore needed for:

— network brokers;

— technological marketing experts;

— innovation and technological transfer enablers; and

— metadistrict managers.

7.5 Drawing on its experience, the EESC hopes that courses in the metadistrict field, based on technological innovation, can be organised for public and private stakeholders, the world of industry and work, universities and banks. To these could be added training scholarships that would involve exchanges between the public and private sector, and between businesses and academic institutions.

7.6 The Innovation DG, which does much to support the experiences of Europe in a global context, should increase its support for arrangements relating to the launch, monitoring and assessment of inter-district and trans-national technological foresight management and benchmarking with a view to steadily extending the cultural and information database of current changes and the instruments used to measure them.

7.7 In order to support credit arrangements, which have always been a critical issue in all Member States and the enlargement countries in particular, a contact centre could be set up at the EIF (32) which, through its guarantee instruments, would be responsible for providing guarantees for the credit lines issued by banks, financial institutions, consortia and cooperatives providing services for metadistrict companies.

(28) Source: Eurostat, ibidem.
(30) The ‘fair price’ principle was officially approved by the Heads of State or Government at the Cardiff European Council in 1998. “The environmental cost must be reflected in the product’s price and cannot be charged to future generations”. One of the quickest ways of including environmental concerns is that of fixing prices that reflect the environmental costs of goods and services and using market instruments to pursue positive environmental goals.
(31) See Footnote 11.
(32) The EIF (European Investment Fund) was set up in 1994 with two main objectives: to support networks and facilitate credit for SMEs. The EIF shareholders are the EIB, the European Commission and many European banks. During the last few years, the EIF has increasingly lent its support to small and micro-enterprises.
7.8 In the EESC’s opinion, the new knowledge-based district is also the ideal environment to trial the most advanced forms of corporate social responsibility through eGovernment, eBusiness and the new eBusiness2business relations that are crucial to the transnational development of district networks, with the support of the common IDABC (34) interoperable networks and close attention to the eEurope 2005 programme (35).

7.9 The EESC believes that it is also essential that the Commission creates a compendium of common terminology to be used by all districts involved in Community programmes, and a European interactive database covering all districts, according to sector and area of activity.

7.10 A Community centre for coordination and cooperation between the district set-up and the various institutions involved could also be established within DG Enterprise. This centre could, among other things, produce and update guides to good practice, to be distributed at regional level.

7.11 The culture underpinning corporate social responsibility sees business as a resource for the general public, and is antipathetic to red tape and its attendant costs, which make action less attractive. A ‘Slid’ initiative would provide a useful instrument to extend the experience gained from the SLIM programme (33) to districts.

7.12 In the opinion of the EESC, it would be advisable to set up a helpdesk to provide advice and assistance on intellectual property and other services intended for district set-ups which are rapidly becoming an integral part of European networks and the global market.

7.13 It is also necessary to facilitate the participation of district bodies in pre-normative and co-normative projects carried out under CEN, Cenelec, ETSI and NORMAPME (36) which promote technological development.

7.14 In the context of the 5th multiannual programme for entrepreneurship and competitiveness (2007–2013) (37), the EESC believes that it is important to draw attention to the situation and needs of industrial districts.

7.15 In the opinion of the EESC, which is based on experience gathered in the past years, particularly in the wake of the European Councils of Lisbon, Barcelona and Seville, it would be useful to set up a European platform for ongoing dialogue, subdivided by sector and area of activity. This platform would bring together district leaders, public authorities, the social partners, financial representatives, research centres and NGOs.

7.15.1 The EESC considers that thought should be given to granting Community recognition to European knowledge-based metadistricts, so as to:

— facilitate exchanges both inside and outside the single market;

— enable companies in different countries to pool their resources;

— give the districts project a truly European stamp, with direct access to European schemes and programmes;

— conduct evaluations, monitoring and benchmarking of European district networks.

7.15.2 In this context, the EESC thinks that it would be useful to hold a public hearing to build on the present opinion, inviting district bodies and other interested organisations from different regions. The aim would be to encourage crossborder cooperation and to highlight its benefits:

— politically: crossborder economic cooperation promotes EU integration and performance on world markets;

7.16 In the EESC’s opinion, the new knowledge-based district is also the ideal environment to trial the most advanced forms of corporate social responsibility through eGovernment, eBusiness and the new eBusiness2business relations that are crucial to the transnational development of district networks, with the support of the common IDABC (34) interoperable networks and close attention to the eEurope 2005 programme (35).

(33) EESC opinion CESE 1610/2003 of 10.12.2003, (OJ C 80 of 30.3.2003, rapporteur: Mr Pezzini). Networking across borders, by making use of information technologies (IT), has become the key instrument for bringing public administrations together and supporting their cooperative efforts towards a modern, enlarged and secure Europe. Furthermore, studies conducted by the Commission consistently show that investments in this area boost the economy (with high rates of return). A Community initiative on the subject, ‘Interchange of Data between Administrations’ (IDA), was launched by the Commission in 1993–1995 with IDA I (1995–1999). Between 1999 and 2004, €127 million of Community resources have been allocated for IDA II. Of these, around 60 % have been used for sectoral projects of common interest (PCIs), and the remainder for horizontal measures aimed at ensuring interoperability and full accessibility of trans-European networks.

(34) eEurope 2005: an information society for all. Action plan. Seville European Council, 21 and 22 June 2002. Summary: The Action Plan aims to provide a favourable environment for private investment and for the creation of new jobs, to boost productivity, to modernise public services, and to give everyone the opportunity to participate in the global information society. eEurope 2003 therefore aims to stimulate secure services, applications and content based on a widely available broadband infrastructure.

(35) The SLIM programme was launched at the beginning of the 1990s on the initiative of DG XXIII in order to ease the red tape that surrounded small businesses at the time, substantially more than now. The SLIM programme gave rise to BEST.

(36) CEN: European Committee for Standardisation; Cenelec: European Committee for Electrotechnical Standardisation; ETSI: European Telecommunications Standards Institute; NORMAPME: European Office of Crafts, Traders and Small to Medium Sized Enterprises for Standardisation.

— in terms of simplification: it can pinpoint new forms of access to cognitive, financial and production resources;

— economically, for competitiveness: European knowledge-based districts (EKD) could form a European consortium that could adopt an EU quality mark;

— in terms of the wide scope for public/private partnerships: the new district groupings should include both private businesses and local authorities, as the latter can play an important role as catalysts for new proposals;

— for bringing together businesses, universities and research bodies, thereby systematically drawing on new technologies and innovations.

7.15.3 The EKD consortium should foster the spirit of enterprise, social responsibility, the creation of new activities and the development of further training, and should encourage cross-border partnerships. It should be:

— freely and easily accessible, both to individuals and to public/private bodies;

— simple, flexible and adaptable to the differing needs of its members;

— able to adapt to market trends;

— established at EU level, involving a large number of Member States or associated countries (38).

7.15.4 Nature — The EKD should be a private body, and thus not make public calls for funds.

Brussels, 6 April 2003.

7.15.5 Approach — The EKD should be subject to similar criteria as those governing the establishment of consortia in the sixth RTD framework programme. It should run for a five-year (renewable) period (39) and should be entered in a special register within an EKD platform to be set up at the Commission.

7.15.6 Legal status — Deals with the Community institutions should be handled by a single recognised EKD coordinator, as happens with the integrated projects and networks of excellence in the RTD framework programme.

7.16 In conclusion, the EESC considers that the experience developed in districts and now being focused towards knowledge-based metadistricts, provides an excellent opportunity for:

— increasing employment;

— improving social relations in the labour market;

— broadening the occupational skills of workers, at all levels;

— ensuring safe and healthy workplaces;

— developing and extending ethical and environmental certification (ISO14000 and EMAS);

— better addressing credit problems and the impact of Basle II;

— improving the quality and competitiveness of products made in Europe;

— supporting and widening export possibilities;

— reasserting the power of work, workers and enterprise over red tape.

7.17 Therefore, for all these reasons, the development of metadistricts should be supported and encouraged at all levels, be they local, national or European.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

(38) Cf. the RTD framework programme.

(39) The limited accreditation period is needed to ensure that the districts continue to develop, and do not become set in stone.