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European policies influence on the Marche Region and the Baden-Württemberg industry

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Abstract

La tesi si propone come uno studio dell'influenza delle politiche europee nei settori industriali di Marche e Baden- Württemberg. In particolare, si articola in tre capitoli che coprono le peculiarità dei settori industriali ivi sviluppatisi. Il primo capitolo copre lo sviluppo economico e industriale delle due regioni, concentrandosi sui motivi storici dello sviluppo di un determinato tipo di industria; in seguito, spiega l'approccio alla crisi petrolifera degli anni 70 e le nuove sfide all'avvento del nuovo millennio. La seconda parte si concentra sulla legge di concorrenza europea e le politiche europee per il sostegno alle PMI. La legge di concorrenza europea viene articolata in tre sottogruppi, in particolare leggi sulle fusioni, leggi anticartello e leggi sugli aiuti di Stato. Le politiche per le PMI vengono invece esplicate nelle loro differenze, in particolare rispetto ai progetti proposti (ambientalismo, innovazione, ecc.) o alle specificità singole delle aziende. Il terzo capitolo invece si preoccupa di affrontare l'impatto delle due politiche europee precedentemente analizzate nei settori industriali, giungendo poi a delle conclusioni: le politiche europee hanno avuto un ruolo misto nell'impatto sui settori industriali regionali. In particolare, la legge di concorrenza europea non copre gran parte dei casi di fusioni, cartelli e aiuti statali data la sua osservanza per aziende di grandi dimensioni rispetto che PMI, maggioritarie nel tessuto marchigiano e tedesco meridionale. Per questo motivo la seconda politica europea analizzata trova più spazio, mostrando le differenze e le analogie di gestione dei fondi europei da parte delle due regioni.

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Introduction

In an era of increasing globalization and interconnected economies, the role of regional industrial sectors has never been more significant. As various regions across Europe navigate the complexities of economic development, the influence of European policies cannot be understated. This master's thesis contains a comprehensive exploration of the impact of European policy on two distinct industrial landscapes – the Marche Region and Baden-Württemberg[1]. These regions, even though they had their historical trajectories and unique economic contexts, provide a compelling canvas to understand the intricate relationship between regional industries and the policies emanating from the European Union (EU).

The evolution of industrial sectors within any region is deeply intertwined with its historical, social, and economic dynamics. The first chapter of this thesis delves into the historical evolution of the industrial landscapes in both the Marche Region and Baden-Württemberg. By tracing the origins, growth, and transformations of key sectors, we aim to provide a foundation for understanding the current industrial fabric in these regions. Through this historical analysis, we set the stage for a comprehensive examination of the contemporary challenges and opportunities that have emerged in the wake of European policy interventions.

The second chapter shifts its focus towards European competition policy and the myriad of programs designed to support small and medium-sized enterprises (SMEs). The EU's commitment to fostering fair competition and encouraging the growth of SMEs has led to the implementation of

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various initiatives and policies. Through a thorough examination of these policies and programs, we seek to uncover their implications for the industrial sectors in the Marche Region and Baden-Württemberg. How have these policies shaped the competitive landscape and influenced the growth trajectories of regional industries?

In the third chapter, our attention turns to the practical application of competition policy within the two regions. Through a meticulous comparative analysis, we assess the extent to which the principles of competition have been implemented and integrated into the industrial fabric of the Marche Region and Baden-Württemberg. This examination not only sheds light on the compliance of regional industries but also provides insights into the challenges and successes encountered along the way.

As we embark on this journey of exploration and analysis, our objective is to contribute to a deeper understanding of the intricate interplay between European policy and regional industrial sectors. By dissecting the historical evolution, scrutinizing competition policy, and assessing its on-the-ground implementation, we aim to unearth valuable insights that can guide policymakers, practitioners, and stakeholders alike in the pursuit of resilient and thriving industrial landscapes.

Through the lens of the Marche Region and Baden-Württemberg, we navigate the complex nexus of history, policy, and economic development, uncovering the nuanced impact of European policy on regional industries.

1. The Industrial Development of Marche Region and Baden- Württemberg: 1945-2020

1.1 Marche Historical and Qualitative Development

The development of the industrial sector in the Marche region has its roots in the 1970s. The big part of the industrialization during the 1950s is in the North-West Italy, regions of old industrialization. Marche's industrial district developed since the end of the 60s, in line with what is called "Third Italy" (Mucelli et al., 2015). In the 70s, new regions from the NEC area (North-East Centre) grew industrially from rural conditions. The evolution of industrial districts is not consistent and constant over time, with two main phases before the 70s. The first phase, during the 50s, is surely the one in which small artisans can satisfy the local demand of traditional products and services: those activity, due to factors like innovation in infrastructure and transport, and the diffusion of wealthier lifestyle, downsized the number of small firms since those artisans left their traditional activities (Brusco, 1997). On the same way, concentration was stimulated by the need to exploit the Fordist model and the economies of agglomeration and sectorial production in specific areas (Brusco, 1997).

In fact, in the 60s, the years in which the main change factor was European integration, international competition pushed the firms to grow in order to exploit economies of scale. Overall, "total employment in manufacturing dwindled from just under one third in 1951 to around one fifth in 1971" (Brusco, 1997). Even if the small firms see in those years a reduction of the relative employment in relation to bigger companies, we can also say that total workforce from the '50s grows and for this reason the process of agglomeration and abandon of artisan activities goes hand in hand with the phenomena of urbanization (Calafati. 2009).

In the second phase, the development of industrial district was particularly evident in Italy as a response to the failure of Fordist production model: in the beginning of 1970s oil shock and the change of the market need, like personalized products, caused an upheaval in production system: the big industry is pushed to a fragmentation. Involvement of the employees became one of the main factors in deciding the productivity of a firm, and this capability is enhanced in small firms (Brusco, 1997). In Italy, industrial district and the development of Third Italy is the response to the technological change caused by the failure of the Fordist model: in fact, the large enterprises were, in 1950s and 1960s, related to big productions and characterized by "gigantism" to overcome structural problem through concentration and expansion. During the 70s clusters become industrial districts, but the organizational part takes shape in the 80s, with the first cost-saving oriented collaboration between firms (Randelli, Boschma 2011). The association between industries are characterized by two main types of relationship: the export-led relations, in which all the industries of the area rely on a third party that adapt the external demand to the productions, or the associative relations, in which the firms of a district share service like accounting and administrative offices and organize quality control and technical consulting in specific shared offices. In the Marche region, since the 70s, both types of relations developed simultaneously.

The personalization of demand and the crucial role of incremental innovation were the two main pillars from which the third Italy develops its fortune. The legislation concerning SMEs was particularly favorable and helpful since the fascist period, more than any other industrialized country. On the same way, bargaining and unionism was not alien to the SMEs developed in the Third Italy: the peripheral position of these industries, however, permitted the shift of many heavy and wearing jobs from big firm to the small ones. This can be seen as an "oligopsonistic power of their subcontracting firms" (Brusco. 1997). The stage markets evolved into competitive markets throughout time, as tiny final firms engage in rivalry with both small and bigger businesses. The wages and earnings of the small businesses are once again those of the competitors. The district's external economies gradually permitted the conditions of district workers in small businesses to match the one of district workers in bigger businesses.

Alongside the economic explanation, Bianchini (1991) adds historical background to it: NEC areas were historically dominated by Christians, in North-East, and Socialists, in the Centre (Marche region is actually a mix, with Socialists in the North and Christians in South). Local politics got stronger during fascism since those parties were banned from national politics: for this reason, those political forces tried to gather local communities and became responsible of several union, cooperatives, local banks and other local institutions that are, during the industrialization of the area, a central point for small firms. The whole system created a strong interdependence between firms in the same district, with a strong division of product and services, while the dimension of the industry was kept small. This is related to the relationship inside the cluster, where skilled people of the same district cooperate and share information in order to achieve better results. (Bianchini, 1991). The business environment in which the SMEs of NEC area developed is extremely friendly for small enterprises, since the legislation give them specific fiscal advantages and subsidizes, especially in social contributions and protection over bankruptcy (Bianchini, 1991).

1.1.1 Historical Roots of Industrial Development

The history of the industrialization of Marche is related to the *mezzadria*, a sharecropping system in which farmers rented the land of the landowner. For seven centuries, the *mezzadria* system governed the region's land tenure, later creating a unique link between agriculture and industry. Sharecroppers formed the backbone of the agricultural sector, tending to tiny plots of land and sharing the produce with landowners. This system allowed for a direct connection between households and agricultural production, fostering a sense of collective responsibility and joint strategies for consumption and accumulation. The *mezzadria* system established strong social relations of production that later played a crucial role in facilitating the region's successful industrialization after the Treaty of Rome, creating a unique link between agriculture and industry (Blim, Goffi, 2014). As the post-war era progressed, the sharecropper population smoothly converted their homes into successful businesses, utilizing the well-established social ties of production to reduce costs of reproduction and boost productivity. The region's transformation from an agrarian-based economy to a vibrant industrial one was greatly aided by this transition. As families developed into successful businesses, they were able to use their revenues to improve the welfare of their entire family. This not only accelerated economic development but also improved the social cohesion of the area (Blim, Goffi, 2014). On the same way, *mezzadria* forced farmers to work small land with modest endowment, in opposition to big estates of land typical for example of Southern Italy (*latifondi*): this created a conducive environment for SMEs to thrive, as families diversified their income sources by starting small industrial ventures alongside their agricultural activities (Blim, Goffi, 2014). Entrepreneurial activities had been done mainly from families, opening their activities looking for better profit. Even today, family businesses and SMEs owned by family members are prevalent in the region, accounting for a significant portion of enterprises and the manufacturing workforce (Muccelli et al., 2015), and it helped to the welfare and social cohesion for the past 30-40 years (Potter et al., 2010).

The industrialization of a NEC area happens precisely for three main reasons. First, an overall reduction of the agricultural employment, since the farmers starts to be invested in craftsmanship and other kind of activities, more productive than the agriculture. As explained in Bianchini (1991), the system of renting pushed the farmers to learn basic accountants' skills, like bookkeeping, and basic understanding of management, both useful to run a small firm. Secondly, the new infrastructure in the area is technologically advanced enough to connect these regions to the global market. Thanks to the first industrial development, during the 50s, the big industries influence spreads through peripheral areas of the peninsula: in this way a lot of farmers start to gain the technological know-how and possibility to expand what has been, until that moment, a local craftsmanship production (Bianchini, 1991). Lastly, market expansion pushed for the demand of certain products that for the big industry of the North-West was impossible to produce, due to the rigidity of those systems (Fuà, 1983). It's also true that industrial districts of NEC area, in particular Marche, benefitted from economies of scale, in which foreign industries rely on to reduce costs: as a consequence, SMEs don't structure vertically because of their family-owned tradition but they spread and fragment the production (Randelli, Boschma 2011).

The rapid process of industrialization undergone in those areas is surely based on the limited dimension of the industry: the Marche region experienced a widespread diffusion of SME's that started to be organized in industrial districts. The industry organized itself in districts, next to areas where infrastructure and labor was available. The main characteristics of the diffusion of SME model are due to environmental factors: the industry of the North-West experiences high labor costs because of the big dimension of the industry that causes a high attraction of migrant workers that ask for better working conditions and social protection. The SME model doesn't cope with this social conflict, since the labor force is local and very often there are kinship relations between employer and employees (Fuà, 1983). The opening of the region to the international market especially from the 60s causes contact between extra regional firms which commission work to craftsmen of Marche.

The development of Marche's industry, alongside all the NEC area, can be distinguished in two main phases. The first phase is characterized by a spread set of newborn firms which start to ask for cheap labor in the surrounding area. The cheap labor is initially accepted by almost everybody of the society: employers, since they could limit the cost and have higher profit, the employees, since the low wage is compensated by the fact that it's unnecessary to build a social safety net, and the public institutions since they saw the industrialization process as positive. Even in this phase, the ability of some firms was already exceptional for the dimension (Fuà, 1983). The take-off of industrial clusters in the Marche region took place in the 1950s and many firms entered and exit the market. The newborn industrial system was widespread, but specialized, with relationships between firms that were purely market oriented (Randelli, Boschma 2011).

Low wages in the Marche region (aligned with the rest of NEC areas) are affordable only thanks to two main factors. Firstly, there no pressure for a stable high income to live in expensive places like metropolitan ones: the workers of the SMEs are close to their homes and can enjoy the protection their personal social net (family, neighborhood and friends) to find alternatives in case of firings. Secondly, the employees are still committed to personal activities like agriculture or craft activities that serve as extra income to the income from the main job. SMEs of the NEC model are based on previous local crafting traditions and labor-intensive sectors. The combination is successful since labor-intensive sectors develop in labor-intensive environments. A typical measure adopted by those firms is the fragmentation of the production process: in order to complete the product with the lowest cost possible, a lot of small firms get really specifically specialized in a particular production process (Fuà, 1983). Cost reduction and low wage for unskilled employees impact especially younger workers and women.

The second phase saw a stiffening of industrial relations, with workers that ask for an alignment of the local wages with the national one, more like mature economies. Industrial relations were still collaborative and not conflicting: employers and employees share the same social context, in term of working ethic and values, and there is no social distance between the two figures in the firms, avoiding the concept of elitist industrial employer common in the North-West. (Fuà, 1983).

One of the key indicators of this transformation was the remarkable increase in manufacturing employment. Between 1951 and 1981, the number of manufacturing workers in the region rose by 212%, from 62,645 workers in 1951 to 195,338 workers in 1981. This growth in industrial employment was a driving force behind the spatial organization of economic activities in the Marche Region (Calafati, 2009). From a territorial perspective, the economic development of the

Marche Region during the period 1951-1981 can be characterized as "polarized" and "polycentric." It was polarized because the growth and economic performance were concentrated in these inter-municipal poles, which constituted a limited portion of the regional territory. However, it was also polycentric because, despite being limited in number, these growth poles were spread relatively evenly across the region (Calafati, 2009).

Even though Third Italy is the main developing area of the country with a "rapid increase in employment both in manufacturing and in aggregate terms (36.7 percent and 37.6 percent respectively)" (Bianchini, 1991), productivity problem are already evident, especially for innovation and technological investments. In fact, the small dimension helps for profitability but not technological innovation. As Bianchini (1991) claims, the structure of the SME is not feasible to introduce technological development at the same pace as bigger firms. Third Italy model has no clear hierarchical structure, making difficult technological innovation more than “vertical integrated firms”. In our case, the Marche region tried to overcome this problem only in the late 70s and 80s, by combining the “establishment of sectoral consortium centers with intersectoral centers (like ISELQUI or COSMOB). These centers can offer information, consultancy research and training to the SME.

1.1.2 After the Economic Miracle: Expansion and Internationalization

The region experienced economic acceleration from the mid-1960s to the 1980s, followed by a slowdown due to competition from Eastern European and Asian countries in the following decade. The fashion sector faced a prolonged crisis in the 2000s, and the national recession in 2008 further impacted the region's economy. However, the region has now diversified its production, while still maintaining the traditional district model. The industrial districts in the Marche region are specialized in various sectors, including fashion and accessories, agro-food, mechanical automation, and home furnishings. These districts cover the entire regional territory, forming a network that connects public and private entities, research projects, innovation, and internationalization efforts.

The collaboration between regional funds, public and private entities, and research centers allows for the development of projects that contribute to the competitiveness of the districts (Colletti, 2019). The success of SMEs in the industrial districts depends on the founder's skills, competences, values, and cultural background, with the founder often embodying the firm's technical know-how (Muccelli et al., 2015).

Figure 1 Marche industrial district, 2003. Colored in pink: textile-clothing, purple: mechanics, green: footwear & leather, brown: wood, yellow: other, in "testo Unico delle norme in materia industriale, artigiana e dei servizi alla produzione" https://www.regione.marche.it/Portals/0/Paesaggio_Territorio_Urbanistica/Cartografia/AmbitiAmministrativi/07_D

Looking at the past decade, the Marche region has experienced impressive economic growth, with its regional GDP expanding by 18.2%. This growth has outpaced the national average of 12.8%, showcasing the region's strong economic performance. Moreover, the region boasts a robust labor market, with an employment rate of 64.7%, well above the national average of 58.7%. The entrepreneurial spirit in the Marche region is thriving, as evident from its high business density of 103.5 enterprises per 1,000 people, surpassing the national average of 86.8. This indicates a vibrant and dynamic business environment, where new ventures and small businesses are flourishing (Goffi, Dini, 2013). Remarkably, the region's economic development has not come at the expense of social cohesion or the quality of life for its residents. (Potter et al., 2010). Between 1993 and 2012, the average annual number of employees in the Marche region increased from 567,000 to 645,000. Between 1993 and 2008, the Marche region saw a significant increase of 23.9% in manufacturing employment. However, from 2008 to 2012, there was a notable decline of 13.8% in manufacturing jobs based on data from Istat (Goffi, 2013).

The Marche Region's total employment increased by 56,008 units (10.7% growth rate) in the decade 1991-2001, with a tendency towards concentrating the service industry in the urban systems. While industrial sector employment growth was somewhat evenly distributed between the urban systems and the rest of the regional territory, private and public services employment growth in the urban systems significantly outweighed that of the rest of the region. In the period 1981-1991, some urban systems recorded negative performances in terms of manufacturing employment, which continued in the next decade (1991-2001) (Calafati, 2009).

1.1.3 Stagnation and Crisis: The End of the Golden Age

In the early 2000s, competitive advantages of the region start to disappear. One of the main problems is the exposure to the Asian market for fashion and textile sector, which brought low-cost products in Italy. In the paper " Entrepreneurship, SMEs and Local Development in the Marche Region, Italy" (Potter et al, 2010), several weaknesses are identified as structural for the SMEs of the region: specialization on traditional sectors, poor infrastructures, low FDI, inadequate services to sustain industry, low managerialization of enterprises, absence of a generational turnover (especially during the recession cycles that force enterprises to keep the status quo) (Cencelli, 2004), low skilled human capital. 200 firms account for 20% of the employment, 30% of value added and 40% of regional export. Recessions stop the production and the innovation of new items, pushing the enterprises to have passive strategies (cost reductions and optimization of expenditures) instead of pro-active strategies like R&D, internationalization, and patents. Low tech firms are prominent (65% in 2008), while hi-tch accounts only for the 5,3%: it's evident that the technological innovation present in the years of development today is less evident, lacking in know-how and innovation strategy. Nowadays, the region presents a mismatch between human capital and technological possibility of the firms: this forces the SMEs to rely on second best options (Goffi, 2013). The Marche area is heavily dependent on manufacturing. In terms of all employment in Italy, it is the area with the biggest proportion of manufacturing jobs. Four industries account for the bulk of businesses and manufacturing jobs: mechanical engineering, footwear, leather products, wooden furniture, and textile clothing. Mechanical engineering stands out among these industries as having the greatest influence on metrics including the number of firms, value added, employment, and exports. In the Marche region, around 50% of employment is in micro-enterprises, while small and medium-sized enterprises (SMEs) with 10-19 and 20-49 employees have also grown over time. This reflects the region's evolving business structure, with a notable emergence of medium-sized enterprises alongside micro-enterprises.

It's important to acknowledge that fact that the development of industrial district in Marche region are related to four main categories: wood/furniture in the north, mechanic in the inner part of the region, footwear and clothing in the center-south. Alongside these districts, musical instruments around Ancona and paper in Fabriano are honorable mentions. A wide range of industries is represented in Marche's industrial districts, including agriculture, automobiles, pharmaceutical products, furniture, shoes, textiles, and mechanics. Overall, the Marche region stands out for its strong focus on manufacturing in Italy, and it is also characterized by a significant orientation towards using new information and communication technologies (ICT) (Colletti, 2019). Sectors like mechanics, wood/furniture, and footwear have suffered during the 2008 crisis, leading to job losses and increased unemployment. The region faces the challenge of transitioning from traditional manufacturing subcontract activities to niche sectors with higher value-added and branded production (Potter et al., 2010). The "innovation without research" model, which previously explained the success of the Marche economy, is now being questioned, as the innovative capacity of local companies has shown a systematic contraction. Passive strategies have predominated over proactive ones, and the role of local innovative units is still weaker compared to similar regions in terms of production structure and research intensity (Goffi, 2013). The development of the manufacturing sector in Marche is described as the "Marche Paradox" due to the lack of significant investment in R&D, despite its competitiveness. Innovation relies on learning by doing and interacting among firms in the same value chain. (Muccelli et al., 2015).

Looking at the 2008 crisis, three critical trends are identified in the Marche region: the impact of the financial and economic crises, weaknesses in the face of globalization and emerging markets, and the approaching retirement of the generation of Marche entrepreneurs.

Firstly, the Marche region has not been immune to the challenges posed by the economic crisis which exposed challenges related to the reliance on traditional manufacturing in an increasingly globalized and knowledge-based economy particularly affecting traditional manufacturing sectors such as mechanics, textiles, and footwear. The crisis led to a decline in production, exports, and job losses in these industries, highlighting the need for adaptation and transformation. To address the changing global economy, the region must move towards higher value-added and branded production, already partially ongoing with Tod's brand. (Goffi, Dini, 2013). In addition to this, the Marche region has been less affected by the tertiarization process that characterizes more advanced systems, where industry has decreased in favor of services. This lack of advancement in the tertiary sector has hindered the ability of the manufacturing sector to overcome the current crisis (Goffi, 2013).

Secondly, internationalization of medium-big firms has a negative effect on SME, since most of the time outsourcing is labor seeking (look for lower costs) and not market seeking (get into a new market) (Goffi, 2013). Globalization poses challenges to the traditional industrial district model, necessitating a shift towards entrepreneurship and diversification to renew the economic model for the future: in fact, the reduction in investments and lack of advanced skills among some small businesses contribute to their inability to reorganize effectively and take advantage of foreign markets (Goffi, 2013)

Lastly, it must be taken into consideration that business succession in the Marche region is another major challenge, as the older generation of entrepreneurs retires without proper succession plans, impacting the regional economy (Goffi, Dini, 2013). An analysis by Iacobucci & Micozzi (2012) revealed a decline in new firm creation in the Marche region, despite some positive elements: the gender gap in the entrepreneurial rate is less significant than the national average, and education influences the probability of starting new firms. The problem of human capital influences not only the ability to create new firms from the employer's point of view but also for the lack of employees able to work in high value-added firms. Transitioning towards high-tech production in the Marche Region (and Italy's industrial districts in general) has proven to be a complex task. The distinction between high-tech and low-tech sectors is often blurred, and certain technological trajectories can lead to innovations in traditional activities (Muccelli et al., 2015). The districts are no longer selfsufficient, and there is a trend towards larger and more complex supply chains and the adoption of innovative practices, including Information and Communications Technology (ICT). A crucial role for innovation and technological development is played by universities in the region since they are responsible for “academic spin-off” (Muccelli at al., 2015), start-up companies that emerge from university research. Academic spin-offs serve as a mechanism for technology transfer, enabling the creation of new technology-based firms in sectors like life sciences and electronics (especially home automation), indicating the expansion of technology-based entrepreneurship in the region also thanks to government institutions that provide financial support for these spin-offs. This approach is rather recent for the institutions that have been characterized by "institutional inertia" resulting from tight family connections. While extended family networks had once contributed to industry growth, they became a hindrance when market conditions changed. Persistence, inertia, routinization didn’t help the development and the transition of the industry to a higher technological level in respect to the traditional one (Staber, 1998).

1.2 The Baden-Württemberg Industrial Development

1.2.1 Reconstruction and Industrial Development

After World War II, BW faced "production restrictions and output monitoring" by Allies. Despite destroyed infrastructure and inexistent transportation routes, industrial production managed to keep up the pace thanks to increased working hours and employment growth way over the national average (unemployment is 4.3% against national 10%) (Ehrhardt, Nowak, 2011). Associations cartels were not dismantled in all sectors by Allies: this gathers the firms in coordinated specializations unions, cooperating with trade unions and public institutions "to provide educational, technical, and marketing services without which they could not survive" (Sabel et al., 2006). Specialization in each firm increases its dependence on complementary products, requiring the defense of superordinate institutions that safeguard the interests of the entire industry. This system puts pressure on firms to innovate and helps them achieve their innovative goals. Firms in Baden-Wurttemberg cannot diversify to reduce losses during downturns. Instead, they focus on improving or customizing existing product lines, which stimulates complementary innovations (Sabel et al., 2006).

After the 1950s growth, in 1960s industry if BW changed its growth model: from a reconstructing economy based on number of employees and less on productivity, the region inverted the trend resulting in an increase of machine manufacturing, chemicals, automotive and electronic industry growth (Ehrhardt, Nowak, 2011). The economic success of Baden-Württemberg since the 1960s can be attributed to both the innovativeness of small and medium-sized enterprises and the presence of major global firms like Daimler-Benz, Porsche, IBM, and Bosch. Many SMEs in the region act as suppliers to these larger corporations, which fosters economic growth during prosperous times. The economic success of BW region is related to the collaboration between small and big firms in the 60s. The industrialization of the *Land* is related to the fact that many firms are suppliers of these larger companies. However, during economic downturns, the survival of smaller firms becomes precarious as they face hierarchical control from the larger corporations. This delicate balance between collaboration and autonomy has been essential to the region's sustained economic prosperity (Staber, Sharma, 1994).

Baden-Württemberg industrialization is one of the most successful examples of industrialization in Western Europe since the beginning of the 1950s. The industrialization of the Land is the main responsible of the process of catching-up with the rest of the Rhine industrial areas. From 1950 to 1970 workers employed in manufacturing almost doubled from 1.4 million to 2.3 million, alongside a constant shrink of agricultural sector (Heidenreich, 2004).

1.2.2 The Oil Shock and the Reorganization

The biggest shock suffered by the region was surely the oil crisis of 1973. In the 1970s, Baden-Württemberg experienced significant challenges in its labor market, characterized by a substantial reduction in jobs and an increase in unemployment. Long-term structural trends, such as labor-saving technological advancements, rationalization measures in the service sector, and high international differentials in social service and wage costs, were identified as factors contributing to these difficulties. The manufacturing sector, particularly the steel, machine, and automobile industries, were the major employers in the region, and their vulnerability to rationalization and heavy reliance on exports added to the concerns. “In 1960 this sector employed about 10%, and in 1975 already 14% of the workforce”. In Baden-Württemberg, the "old" industries have not only survived but have become the driving force of growth in the region. These industries include labor-intensive manufacturing sectors such as mechanical engineering, textiles, printing, paper, and precision engineering firms. The automobile industry, represented by the largest German company and the world's biggest parts supplier, has also played a significant role in the region's growth. From 1970 to 1974, employment in the automobile industry grew by 20%, with a total of 264,000 employees in the sector (Gabriel, 1990). Looking at the in-house production, in Baden-Württemberg this remained stable from the 70s to the 90s in contrast to what “lean production concepts" did to national production sectors (make or buy or JIT, just-in-time) in order to cut costs. Only in the automotive sector, this slightly declined over time: mechanical and electronical sector still maintain a solid share of in-house production. A high degree of in-house production may hinder a company's ability to adapt to innovative products and flexible sales market segments by limiting exposure to specialized suppliers and service providers (Heidenreich, 2004).

The manufacturing sector, with a 52% share of jobs, has demonstrated exceptional development and contributes to almost 55% of the region's gross national product. Additionally, the handicraft sector employs 704,000 individuals across 99,000 businesses, reflecting a concentration of medium-sized enterprises. While 50 large businesses employ more than 2,500 workers, the majority of firms fall within the range of 100 to 200 employees, with only 9% having 20 to 49 employees (Gabriel, 1990). Baden-Wurttemberg economy, despite the negative shock, showed more resilient with respect of other regions of Germany since its industrial sector depends less on natural resources and more on export. Services also rise in this stagnating period for industry becoming the main contributor of GDP even though industry remains stronger than other Germany regions (Ehrhardt, Nowak, 2011).

In the mid-1970s, BW seems to have a change in industry composition in respect of the rest of the country. Old industries look pretty stable in respect to other States disappearing old industry (Sabel et al., 2006). Survival of the companies in the BW is strongly related to several factors. Analyzing from the big company point of view and in a very long timespan (1940-2007) as suggested by Ehrhardt and Nowak in "The evolution of German industrial legends: The case of Baden-Württemberg, 1940–2007" (2011), the presence of several blockholders (a type of shareholder with such a big amount of company share that can influence decisions), a healthy capital structure and the number of subsidiaries have a positive correlation with chance of survival of the companies. For example, the success of Daimler-Benz AG is basically due to the shareholder structure, characterized by shifts in ownership and the involvement of prominent families and institutions throughout the century. These changes ultimately led to the creation of the "Deutschland AG," a term used to describe the interconnections between German companies and banks in the corporate landscape. In force of what previously stated, Daimler-Benz AG became big corporation thanks also to subsidiaries, that caused the absorption of other companies: MEAG, one for the most important producer of locomotives and other transportation machinery, was slowly acquired by Daimler starting from 1965 through subsidiaries that took over the automotive and the rail transport divisions.

In Baden-Württemberg, many major corporations were increasingly seeking outsourcing opportunities outside the region, impacting their relations with local suppliers(Staber, Sharma, 1994). The reason why many small and medium-sized enterprises (SMEs) in Baden-Württemberg did not expand internationally like their larger competitors is mainly because they lack the financial resources necessary to bear the costs associated with moving their business abroad. These financial constraints make international expansion a challenging endeavor for these smaller firms.

On the other hand, other sectors based more on SMEs like the textile sector radically changed their productive structure. Starting from the 1970s and later in the 1980s, when global markets for textiles and textile machinery became more volatile, the organization of production at the firm level in Baden-Wurttemberg has seen a shift towards extensive subcontracting. Firms have abandoned autonomy in favor of subcontracting relations due to the need to convert fixed costs into variable costs and the increasing burden of development costs. A manufacturing network spanning many sectors has been established because of this trend toward subcontracting. The extensive pooling of resources enables the lowering of development and fixed costs. Services offered to businesses at the industry level have increased in both the public and private sectors. Planning services, technical consultancy, and vocational training have all expanded significantly. A workforce that combines craft skills and technology competence has resulted through the infusion of talents and methodical understanding of computer technologies (Sabel et al., 2006).

Diffusion of knowledge and know-how between BW firms and especially where SME could be competitive outside Germany is surely an advantage for SMEs. Despite competition from low-wage, less developed economies, Baden-Wurttemberg industrial regions have shown they can preserve a competitive edge in established sectors. This cooperation is called “heterarchy”, a condition centered on “trust, reputation, custom, reciprocity, reliability, openness to learning and an inclusive and empowering” (Cook, 1997). Concerning industrial relations, cooperation between unions and employers' associations has been a central pillar of Baden-Württemberg's production regime. These relations prevent excessive wage-cutting strategies by individual companies, promoting a focus on permanent innovation. Additionally, they enable a flexible and trust-based utilization of qualified employees by separating industry-wide labor conflicts from within-company co-operative relations. (Heidenreich, 2004).

The business environment in BW depends also on how much FDI impact on regional economy. In the 90s BW already has IBM, Hawlett-Packard and Sony as foreign companies’ operation in the region, but Daimler-Benz and Bosch are instead the local multinational companies: around those companies *Mittelstand* developed in automotive, electronics and machinery sectors. From the beginning of 1993, BW had 4.8 of active labor force, 46% on industry. R&D expenditure on GDP was kept at 3%. The automotive, electrical, and mechanical engineering industries are three well-established industrial clusters that have fueled Baden-Wurttemberg's economic growth. Between 1980 and 1993, these clusters boosted production and profitability. The area was proud of a robust system of institutional intelligence and effective government-industry interactions (Cook, 1997).

One of the main factors of regional industrial success is industrial policy: a long history of reciprocal interaction between industrial policy and emerging institutions. Industrial policy initiatives and interventions have supported the development of a skill-intensive economy, leading to the growth of dominant industries in the region. These policies and institutions have played a crucial role in promoting certain economic options, such as skill-intensive industries, while discouraging low-wage cost-competitive strategies (Semlinger, 1993). While the proportion of small, medium, and large firms in Baden-Württemberg does not significantly deviate from the western Germany average, the strength of the economy lies in the strong supplier relations between small and large firms. Small and medium-sized enterprises play a vital role in turnover achievements (Hassink, 1992): small and medium-sized firms play a vital role in Baden-Wurttemberg's economy. They have been a cornerstone of the region's success. However, many small firms have been initially reluctant to cooperate with others. Therefore, industrial policy prioritizes supporting these SMEs and encouraging them to engage in collaborative action (Semlinger, 1993). This collaborative attitude has been forced by the change of production structure due to the competition of the three main industrial sectors: for example, the large companies in the automobile industry have changed their buying behavior, putting subcontractors under pressure. This transition has prompted other firms to seek more direct cooperation with companies in similar fields. As a result, the region is experiencing a shift towards more collaborative inter-firm interactions.

All in all, in 1987, Baden-Württemberg had the highest 'manufacturing density' among all states in western Germany, with a density of 152.5 employees in manufacturing per 1,000 inhabitants (Hassink, 1992). Italian districts are smaller than BW ones. Average firm size in Italy is 8 workers while in Baden-Württemberg only 15% of the workforce is employed in firms with less than 100 employees. This causes a different degree of “union penetration”. Self-employment is less common in BW, only 5%. Baden is technological-intensive flexible specialization, meaning that they are more conductive to “employment stability, acquisition of firm specific skills, and higher wage levels” (Staber, Sharma, 1994).

1.2.3 New Challenges: From the 90s to Recent Years

However, difficulties emerged in the mid-1990s following the recession. High-quality products' competitive edge in upscale markets was in jeopardy due to price competition. Deficits in innovation also presented challenges, particularly in the biotechnology, semiconductor, computer, and IT communications industries. The limitations of the regional production system became apparent during the 1990s economic crisis, leading to a decline in GDP and a rise in unemployment. The key sectors, including mechanical engineering and electronics, experienced significant job losses (Fuchs, Wassermann, 2004). The region was under pressure to explore other sectors including multimedia, solar energy, and biotechnology in order to diversify away from its reliance on clusters of automobile and mechanical engineering (Cook, 1997): while the region has historically been successful in these industries, it has struggled to adapt to new emerging sectors with greater growth potential, such as information technology, biotechnology, and environmental technology (Fuchs, Wassermann, 2004). Considering the "lock-in" effect caused by the region's past success and deep integration of its core industries, Baden-Württemberg has made it slow to adapt to new challenges and opportunities. This lock-in is manifested in various aspects, such as slow adaptation to global competition, bias towards core industries in technology policy, and a reluctance to source services from external providers (Cook, 1997). The concentration on the three core sectors (automotive, electrical, and mechanical engineering) highlights a potential weakness in the regional innovation system. The economy is focused on markets with below-average growth potential on the global stage. While there has been some growth in services, the region has not secured a strong position in advanced services, reflecting a lack of pronounced growth dynamics in this area (Fuchs, Wassermann, 2004).

The underlined problem of the lack of internationalization in the 90s is the intensive cooperation and communication networks within a region. In fact, from one point of view these factors lead to synergies, which are crucial for the success of industrial districts: Baden-Württemberg's manufacturing industry displays both vertical relations (between suppliers and buyers) and horizontal cooperation patterns (between potential competitors). On the other hand, Baden-Württemberg's manufacturing industry has retained a high degree of regional sourcing, even in the age of internationalized production structures: “of the required input factors, some 53 per cent of supplies are procured in 1990 regionally”. Horizontal cooperation between competing companies in Baden-Württemberg is not significantly higher than in other West German states (Staber, 1998). The regional economy in Baden-Württemberg is organized in closely knit industrial clusters, facilitating information exchange and vertical co-operation with customers and suppliers. Both Baden-Württemberg and other German industrial companies primarily rely on internally organized forms of coordinating production and service activities, leading to a low share of external services. It is difficult to break up the notable concentration of Baden-Württemberg's economy on the investment goods industry (automobiles, machinery, electrical engineering). The productive specialization of Baden-Württemberg is associated with significant risks because the region's industrial core is characterized by advanced technologies (Staber, 1998).

Concerning the development of industrial relations, Baden-Württemberg had a significant union membership, particularly IG-Metall, which has played a leading role in Germany and has been actively involved in proposing industrial renewal measures for the regional economy. However, the current globalization and individualization of employment relations indicate that the regional system of industrial relations is undergoing radical changes. Companies are increasingly operating globally, and the crisis in industry-wide wage agreements, coupled with the trend towards company-level labor relations, threatens the traditional German system of employee-employer relations. Negotiations are shifting to the company level, and the influence of interest representation bodies is diminishing as companies consider transferring production elsewhere or engage in direct interest representation. These developments are challenging the institutional basis for the former corporative regulation strategies. (Heidenreich, 2004).

Another limitation is the training system and the division of employees: the manufacturing-oriented production model and the vocational skills training model have mutually reinforced each other. The region boasts a high proportion of vocationally skilled employees and a well-developed training system. However, the system's limitations and weak points, particularly the rigid demarcations between vocational fields, have posed significant challenges. The functional boundaries between different training courses and occupational groups hinder collaboration and innovation across different vocational fields, leading to a crisis in the vocational training system during the 1990s. As a result, vocational and further training has shifted towards companies, indicating a growing disconnect between conventional vocational training and the qualifications required by companies. (Heidenreich, 2004).

Apart from these difficulties, in the beginning of the 2000s, a new industrial cluster is born: Between 1999 and 2007, the software industry in Germany experienced substantial growth, generating 112,712 new jobs, representing a 64.15% increase. Baden-Württemberg emerged as the leading location for the German software industry, concentrating 16% of the firms, 23% of the turnover, and 24% of the employees. The region housed global players like SAP AG, which was the world market leader in business application software (Strambach, 2008). Softwares are provided for the market by firms in the primary branch but also secondary branches like "mechanical engineering, vehicle construction or telecommunication" (Strambach, 2008).

In the same period, Fuchs and Wassermann in "The Regional Innovation System of Baden-Württemberg: Lock-In or Breakthrough?" (2004), discuss the situation of the traditional industry of the *Land* focusing on the three main industries of the region.

- ELECTRICAL ENGINEERING

  Office equipment, computers, electronics, precision engineering and optics. It's the "third biggest manufacturing sector" in terms of turnover. It comprised 15,4% of the region's manufacturing sector. Main companies are Bosch Alcatel IBM and Hewlett Packard. The development of this sector is linked to the automotive that involves several electronic SMEs. Immense transformation in sector, and shift from production to service activities: this is because they are pushed toward new technologies IT related (51% of new firms), car manufacturing and electronic are still interconnected even though new firms do not operate in this sector.

- MECHANICAL ENGINNERGING

  It's the second biggest industrial sector, SME character of the sector (453 companies, average of 164 employment). Above national average growth rate. Export rate 54%. Employment is slowly shrinking, but the sector remains successful due to productivity increase and high-tech orientation. On average, 3,5% of the turnover was spent on R&D.

- AUTOMOTIVE

  There are 100 companies responsible for 43.6% of industrial output in the region. In 1980 the share was 28.7%. "Over one hundred thousand workers were employed in 2000". The center of this development is the Stuttgart region, with DaimlerChrysler, Porsche and Bosch ("world's second largest automotive supplier"). Exports grew from 57% in 1996 to 65% of 2000.

  Direct manufacturing jobs are disappearing, as is the case in other industries, and the current job increase is entirely attributable to services and R&D-related activities. The production of cars requires a lot of research as well. Nearly 70% of businesses invest more than 3.5% of their annual revenue in R&D.

Baden-Württemberg has a highly developed research infrastructure with a high R&D intensity, investing a significant percentage of its GDP into research (3.9% in 1999). The region's research efforts are concentrated on dominant industrial clusters, particularly in medium-high technology fields. Stuttgart-Mittlerer Neckar is a hub of research and development (R&D) with approximately 45 percent of all R&D capacities in Baden-Württemberg. Private companies in the region show a significantly higher research intensity compared to the German and regional averages. The area boasts several academic institutions, including universities, universities of applied sciences, and vocational colleges. Additionally, there are numerous extra-university research institutions joint research group institutes, contract research institutes at universities, and technology transfer organizations like the *Steinbeis-Stiftung für Wirtschaftsförderung*, for technology transfer to smaller and medium-sized companies (Fuchs, Wassermann, 2004). In 1998 the activity of transferring technology has been privatized. The traditional transfer concept is being critically examined due to changing demands, the need for internationalization. The regionalization concept of the *Fachhochschulen* and external centers is facing challenges in providing comprehensive technology transfer services due to limited resources. Only a limited group of companies are using technology transfer services, indicating the need for broader and more sophisticated consultation opportunities., and the requirement to consider commercial aspects of innovation alongside technological aspects (Heidenreich, 2004).

In addition to what previously stated, looking at the technological development of the SMEs in BW, after the construction of a technological park in Karlsruhe, many start-ups could have access to well-equipped industrial spaces. However, at a closer look, the majority of the start-ups involved were public owned or subsidized. Credit access from the state development bank induced the incorporation of many struggling startups in thriving ones (Sabel et al., 2006). Despite these challenges, the Stuttgart region remains one of the leading regions in Germany and has performed better than other less industrialized and more service-oriented areas. The strong focus on specific technological fields has contributed to its above-average performance. The region's ability to blend elements of the new and old economy has been crucial for its economic well-being. The industrial sector has maintained high R&D expenditures, absorbed new knowledge, introduced organizational reforms, and gradually increased its services component, contributing to its resilience and prosperity (Fuchs, Wassermann, 2004).

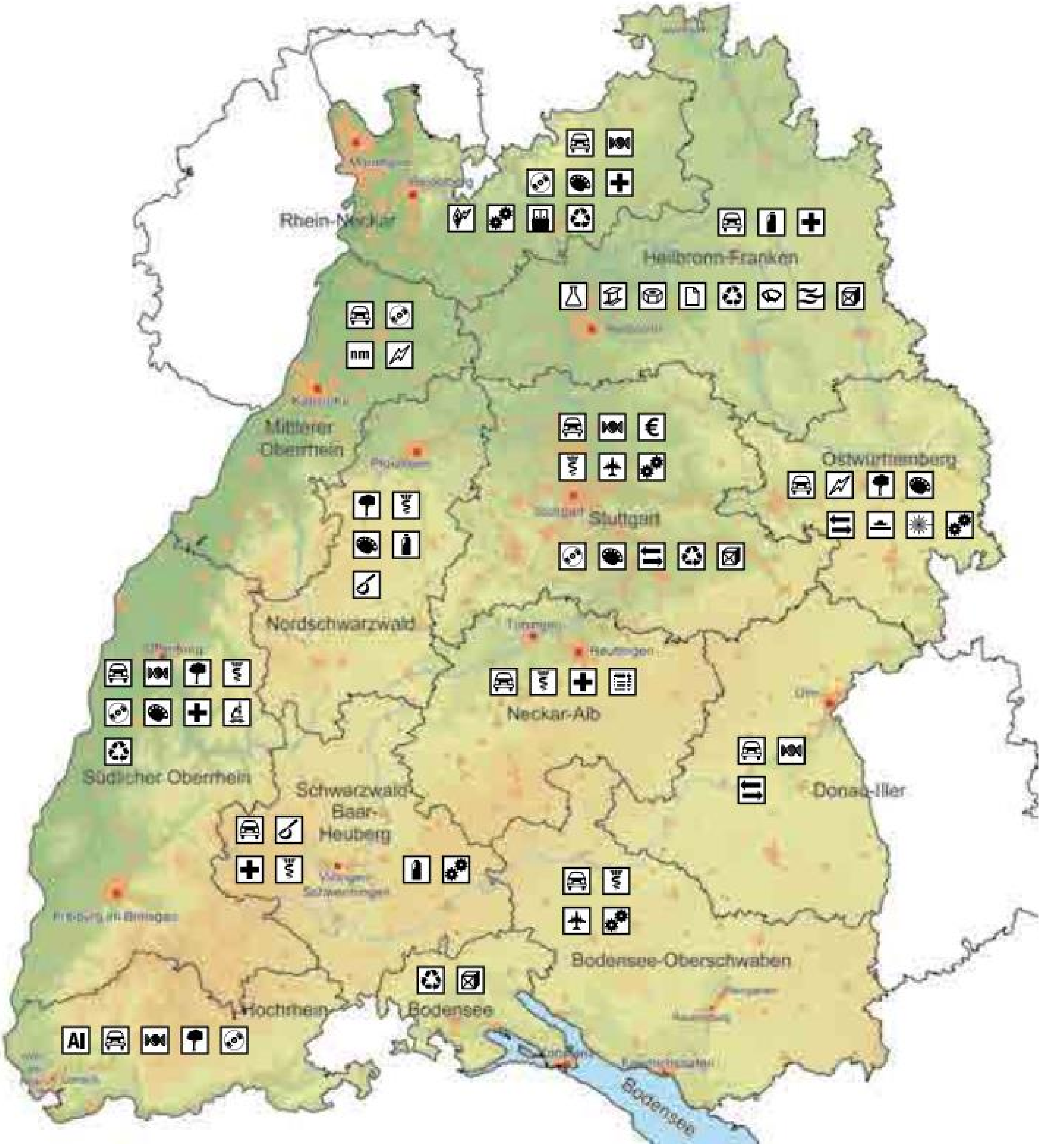

Figure 2 Main clusters in Baden-Württemberg. Automotive, Chemical, Biomedical and Mechanical are the main ones. Electronic and Software recently developed too. In: https://www.clusterportal-bw.de/fileadmin/media/Download/Downloads_Publikationen/Cluster-Atlas

2. The European Instruments:

Competition Law and SME Programmes

In this chapter, the thesis aims to give a clear picture of what are the main instruments that influence the industry in the two regions analyzed. In particular, Competition Law is one of the main instruments with which EU can influence the market activities in all the Union, and SMEs Programmes is surely one of *fil rouge* connecting all the SMEs in Europe, since they are related to topics and missions like environment and innovation, not depending on national government but only on regional, European and individual characteristics of the SME.

2.1 The Competition Law in Europe

European Competition Law has its legal basis in the Treaty on the Treaty on the Functioning of the European Union (TFEU). In particular, the main Articles regarding competition are from Articles 101 to 109; alongside those articles, protocols play a role in the definition of the legal basis of European Union competition policy. Even though protocols are an addition to the TFUE and to Treaty on European Union (TEU), they have the "same legal status as the Treaty itself"[2]. From this information, Protocol 27 can be added to the legal basis of European Union competition policy: in fact, it is the link between Article 3 (3) TEU, and law enforcement specified in article 352 TFUE.

Article 3 (3) TEU enunciates: "The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level

[2] EUR-Lex - EN - EUR-Lex. (n.d.). https://eur-lex.europa.eu/EN/legal-content/summary/the-declarations-and-protocols-annexed-to-the-treaty.html

of protection and improvement of the quality of the environment. It shall promote scientific and technological advance"[3]

In light of the above, Protocol 27 permits that "To this end, the Union shall, if necessary, take action under the provisions of the Treaties, including under Article 352 of the Treaty on the Functioning of the European Union"[4]; Article 352 TFUE is the key to make European institution work together in absence of a treaty, giving the possibility to the European Union institutions to adopt measures when needed.

In addition to this, competition policy is based also on Merger Regulation (Council Regulation (EC) No 139/2004) and its implementing rules (Commission Regulation (EC) No 802/2004); other important Articles regarding competition in relation to the national governments are Articles 37, 106 and 345 TFEU. Article 37 is related to the role of member State to adjust national monopolies in order to ensure a nondiscriminatory treatment of European citizens. Article 106, instead, focuses on the role of the Member State when it comes to undertakings: public or special undertakings "shall neither enact nor maintain in force any measure contrary to the rules contained in the Treaties". Article 345, instead, safeguards the private property ruling of the single Member States. Apart from public undertakings, it's "Articles 14, 59, 93, 106, 107, 108 and 114 TFEU for public services, services of general interest and services of general economic interest"[5]: in detail,

[3] EUR-Lex – *Document 12016ME/TXT, Document 2*- EUR-Lex. (n.d.). Eur-Lex.europa.eu. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12016ME/TXT

[4] EUR-Lex - 12008M/PRO/27 - EN - EUR-Lex. (2008). Europa.eu. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12008M%2FPRO%2F27

[5] Competition policy*, Fact Sheets on the European Union,* European Parliament*. (n.d.).*

https://www.europarl.europa.eu/factsheets/en/sheet/82/competition-policy

- Article 14 express the concept of the continuation of general economic interest of the European Union via treaties,
- Article 59 regards liberalizations of good and services,
- Article 93 rules public transportation in relation to state aid.

Regarding Articles 106,107,108 and 114 they rule legislation alignments between European and national legislations. The first regards the public or supported by the State undertakings that should be committed in respect of competition rules; the second establishes limitation over state aids which, a part for some exceptions, are seen as distortive for competition; the third, related to the first, explains the procedure to track state aids and to judge them as legitimate or not; finally, Article 114 allow European Institutions to "adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market"[6].

2.1.1 The Purposes of Competition Law

The primary goal of EU competition law is complex and varies across jurisdictions and normative values. There are misunderstandings between lawyers and economists regarding these goals. German ordoliberalism's economic freedom and consumer welfare clash, but some proponents argue they can coexist. Economic freedoms have a constitutional dimension and are tied to economic efficiency and the freedom of contract (Chiriţã, 2014).

[6] EUR-Lex – *Document 12016ME/TXT, Document 3*- EUR-Lex. (n.d.). Eur-Lex.europa.eu. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12016ME/TXT

The European integration process is "designed to serve European citizens". The whole legal framework of EU competition law is indeed related to the Schuman Declaration of 1950, in which price competition influences the steel and coal market. The aim of this competition is to have the basis to advance a plan to do investments with a price mechanism and the "creation of a reconversion fund to help facilitate the rationalization of production". Competition, in summary, should have led to efficiency in production and a reduction in costs. Even though cartel fighting was the foundation idea of competition, throughout the years many topics emerged, all from different ideological backgrounds depending on which topic competition law, through the commission, was involved in (Chiriţã, 2014). Here are some:

(a) Safeguard fair competition: Ensure that competition operates in a fair and level playing field.

(b) Guarantee a reliable supply of coal and steel: Maintain a stable availability of coal and steel within the Common Market.

(c) Foster favorable conditions for growth and expansion: Identify and promote conditions that facilitate economic growth and expansion.

(d) Sustain a competitive industry for consumer benefits: Maintain an industry where competition thrives, leading to favorable prices and quality for consumers.

(e) Prevent discriminatory pricing: Ensure that pricing practices in the Common Market do not discriminate against buyers, especially those in other countries, while allowing consumers the freedom to choose their suppliers and delivery options.

(f) Enforce equitable export prices: Regulate export prices to ensure fairness for both buyers and producers.

(g) Safeguard producers against unfair competition: Protect producers from practices that are unjust or artificially distort competition.

(h) Prevent distortion of competition through discriminatory practices: Ensure that the normal functioning of competition is not undermined by discriminatory actions by certain buyers or buyer groups against producers.

(i) Consider sustainable use of natural resources: Explore the possibility of implementing a policy that promotes rational exploitation and conservation of the Common Market's natural resources

2.1.2 The Functioning of the EU Competition Law

EU competition law includes four main topics of legislation: antitrust, merger control, State aid, and public undertakings and services.

The antitrust branch of EU competition policy focuses on addressing improper behavior by companies that can lead to distortions in competition. This includes actions such as the formation of cartels or abuse of dominant market positions. The goal is to restore competitive conditions and prevent anti-competitive practices from harming consumers and the market.

The preventive branch of competition policy includes merger control and State aid rules. Merger control aims to identify and assess potential mergers or acquisitions that could have a negative impact on competition. By evaluating these transactions in advance, authorities can take measures to prevent potential distortions and maintain a competitive environment.

State aid rules aim to prevent unfair advantages resulting from government intervention. When preferential treatment is given to specific undertakings or sectors by a member state, it can distort competition and hinder trade between member states. The State aid rules are in place to ensure that such interventions are justified, limited, and do not negatively impact competition. Within the context of State aid, services of general economic interest (SGEI) hold particular importance. These services are essential to consumers and society at large, and specific rules are in place to govern

State aid in this area. The objective is to promote social and territorial cohesion, maintain a high level of quality, safety, and affordability, and ensure equal treatment for these services.

Overall, the EU competition policy toolbox provides a comprehensive framework to address different forms of anti-competitive behavior, promote fair market conditions, and protect the interests of consumers and businesses within the European Union.

Looking in detail:

A. Comprehensive ban on anti-competitive agreements (Article 101 TFEU) The EU competition policy includes a comprehensive ban on anti-competitive agreements. These agreements, such as cartels or concerted practices that restrict competition and affect trade between Member States, are strictly prohibited. Examples include agreements to fix prices, limit production output, or divide the market among companies. Such agreements are universally regarded as harmful to competition and are prohibited without exception. However, certain agreements that contribute to improving the production or distribution of goods or promoting technical and economic progress may be exempted. These agreements, such as cost or risk-sharing arrangements or cooperation in research and development, can bring significant economic benefits. Exemptions are granted if consumers receive a fair share of the resulting benefits, and the agreement does not impose unnecessary restrictions or aim to eliminate competition for a substantial part of the relevant products. Additionally, agreements that are of minor importance and have little impact on the market, known as agreements of minor importance, often useful for cooperation among small and medium-sized enterprises, may be exempted. However, agreements that have the restriction of competition as their "object" cannot be considered of minor importance.

B. Prohibition of abuse of a dominant position (Article 102 TFEU) EU competition policy also prohibits the abuse of a dominant position by companies. Holding a dominant position is not illegal, but companies in such a position have a special responsibility to ensure their conduct does not produce unfair competition. Abuse of a dominant position can take various forms, including predatory pricing, charging excessive prices, tying, and bundling products, and refusal to deal with certain counterparts. These practices harm competition and consumers.

C. Merger control: Mergers and acquisitions can have both positive and negative effects on competition. While they can create efficiencies and economies of scale, they can also strengthen market power and reduce competition. Therefore, certain mergers and acquisitions require review and authorization before they can be completed. Under the EC Merger Regulation, concentrations that significantly impede effective competition in the common market or a substantial part of it, particularly through the creation or strengthening of a problematic dominant position, are deemed incompatible with the common market. The European Commission must be notified of planned mergers that meet specific thresholds, and national competition authorities can review mergers below those thresholds. The merger control rules also apply to non-EU companies conducting business in the internal market. The EU merger control rules have undergone evaluations and amendments to enhance their effectiveness and address market developments. The revised rules are expected to be applicable from September 2023.

D. Prohibition of State aid (Article 107 TFEU) To prevent distortions of competition in the internal market, the EU prohibits the granting of selective advantages to certain companies through State aid. Direct aid, such as subsidies, favorable loans, tax exemptions, and loan guarantees, is prohibited, as well as any other advantages that distort competition and affect trade between Member States. Exceptions to this general ban can be granted for specific policy objectives, such as addressing economic disturbances or common European interests. State aid has played a role in addressing challenges like the COVID-19 pandemic and Russia's invasion of Ukraine. The Commission has adopted temporary frameworks to allow flexibility in providing support under State aid rules during these crises. Member States must notify the Commission of planned State aid. The aid can only be implemented if the Commission grants approval, and the Commission has the power to recover incompatible State aid. The Commission has made decisions regarding preferential tax treatment, deeming them prohibited State aid and requiring repayment. The EU's State aid policy has undergone reviews and updates to align with various objectives, including climate protection, energy, and risk finance investments.[7]

A) ANTITRUST AND ABUSE OF DOMINANT POSITION

The evolution of the competition law related to antitrust follows a three-steps pathway: first step is the institutional basis (1950-1962), then the "failure of neo-functionalist momentum" (1962-1981) and, thirdly, the rise of a robust policy (1981-1991) (Warlouzet, 2010).

Schuman can be considered the father of the European competition policy with a strong anti-cartel sentiment, since he broadly is the most important political figure to call for European integration in 1950. The creation of the European Coal and Steel Community (ECSC) in 1951 is one push that force a common legislation and anti-trust policy to avoid new German cartels, which were the major concerns for French industry, to get more affordable price of raw materials, and French government, to control the loosening of control over German territories (Warlouzet, 2010). However, the absence of a theory of competition in EU primary law is notable compared to the Treaty Establishing the

[7] See note 4

European Steel and Coal Committee of 1951. The competition law provisions of the ECSC took a normative stance and aimed to ensure assure "the establishment, the maintenance and the observance of normal conditions of competition and take direct action with respect to production and the operation of the market only when circumstances make it absolutely necessary" (Brook, 2022).

Only in 1957 competition law is considered crucial in the formation of a new European project of market unification. With the Treaty of Rome in 1957, the formation of the European Economic Community (EEC) is based on a serious debate on the failure of the competition policies in the previous experience (Warlouzet, 2010). The Treaty of Rome and its successors used general and vague statements that do not fit a single theory of competition. This vagueness hardly clarifies the ideological position of competition law (Brook, 2022).

In 1962, one of the most important regulations established a "system of notification" in which all agreements between companies inside the EEC have to be notified to the Commission. In this way the latter can choose to conduct an inquiry if the agreement are suspected to be anti-competitive (Warlouzet, 2010). Even though the regulation concerning competition decides an important step forward toward European unification, since 1962 the push toward unification starts to weaken. It's important to acknowledge the fact that other competition problems are considered in the Treaty of Rome, in particular state aids (Articles 92-94 EEC) and state monopolies (Articles 37 and 90 EEC). Uncertainty over the appropriate legal handling of distribution agreements continues throughout 1962, confusing both government authorities and commercial groups. Member states are hesitant about giving up too much control and insist on maintaining some autonomy in this area, despite the Commission's efforts to centralize decision-making and implement a consistently stringent approach to competition legislation. The debate on exemptions leads to a compromise giving the Commission the authority to propose exemptions but requiring Council approval for their implementation (Warlouzet, 2010). The variety of economic systems and commercial practices seen in many nations and industries makes it difficult to define a consistent competition strategy for the whole Common Market. However, the Commission continues its efforts to uphold the law of competition and encourage the creation of more fair playing fields for companies doing business in the Common Market. The Commission can't issue any decision until 1964 (Warlouzet, 2010).

Regarding the choice of exceptions in anti-competitive behavior, during the 1970s to the 1990s, there is a prevalence of Keynesian theory: competition is also viewed as a tool to address social issues, including employment, inflation, and improving the standard of living. These exceptions were often linked to planning purposes such as eliminating overcapacity or had references to social considerations like environmental concerns, sports, ethical rules of professions, regional cohesion, and employment (Brook, 2022).

The 80s are a period very favorable for competition policy development: the efforts to create a Single Market makes evident the urges to have a detailed competition policy (Warlouzet, 2010): competition policy is seen as a complementary measure to EU free movement rules and aims to create a community-wide market. In the late-1980s and 1990s, "more emphasis was placed on preventing regulatory trade barriers" and on the liberalization of recently privatized or "highly regulated markets" (Brook, 2022). On the other hand, ordoliberal views are still present between late-1970s and 1980s. Excessive concentration of power remains a central topic, alongside the fairness of competition: this concept is articulated in three main scopes equal opportunities for commercial operators, consideration of the legitimate interests of workers, users, and consumers, and pay special regard to SMEs: focusing on the latter, this regard is justified as those limitations are pertaining to the protection of small and medium-sized firms (SMEs), in particular new firms willing to freely enter markets and compete with current competitors; this move avoided excessive market concentration, especially during economic crises.

Commissioner Sutherland launched several investigations into merger cases, compelling prestigious European corporations to alter their intended merger plans and even discouraging one. Companies lobbied national governments to review and enact the dormant Merger Regulation because of this uncertainty. Due to the conditions, member states swiftly enacted the Merger Regulation in 1989 (Warlouzet, 2010).

As regulated sectors began opening to competition in the 1990s, the emphasis on social benefits became more significant. The Commission highlighted the need for a balance between economic efficiency and the social dimension, especially in sectors like gas and electricity, where maintaining security of supply was crucial (Brook 2022).

B) MERGERS

Article 66 was one of the first mergers regulation policies decided by ESCS in the Treaty of Paris. The mergers were allowed only if they didn't lead to the acquisition of power "to influence prices, to control or restrain production or marketing, or to impair the maintenance of effective competition in a substantial part of the market for such products, or to evade the rules of competition (of the treaty)". In addition to this, the Article contained the possibility to protect the steel industry from the concentration process that took place during World War II (Warlouzet Witschke, 2012).

There was a significant difference in how the French and German parliaments interpreted merger control and competition policy during the ratification discussions of the European Coal and Steel Community (ECSC). According to Jean Monnet, Article 66 serves as a means of preserving the de-concentration of the German steel industry that had been attained because of the Allied occupation. This symbolic action was intended to ease concerns about the new community being dominated by the German state. In contrast, the French government is concerned that German steel corporations may recover possession of Ruhr coal mines, which are vital to the French steel sector. The provision is seen by German chancellor Konrad Adenauer as a legal assurance of the future re-centralization of the country's steel sector (Warlouzet Witschke, 2012).

The merging process is present in the 50s, also for steel industry that is the most monitored one. On the other hand, these mergers were not significantly influencing the competition inside ECSC to the point that activation of Article 66 is needed: steel production merges only control 5% of the market while coal merges only 3%. The High Authority was limited also in merging competition policy: for example, politically speaking, it doesn't question whether the de-concentration process made by the Allies in the end of the 40s in Germany is right or not, avoiding expressing in judgements over possible critical issues that could question Allies actions. Merges became accepted not only by Germans but also by French government: the two countries kept a connivance attitude in order to limit High Authority interventions.

Despite Article 66's explicit language, the ECSC merger control's execution failed to foster price competition in the market. By 1958, the High Authority had given its approval to several mergers in Germany without thoroughly examining any potential effects on indirect ownership links and price-setting processes. This emphasized the treaty's ambiguities regarding pricing rules, the limited efficacy of Allied deconcentration efforts, and the Member States' ongoing violations of Treaty articles.

The ECSC's experience with competition policy was not a complete unsuccess, either. It gave significant insights into the impacts of a legal system, even when it is not operating well. Article 66 made the reconcentration of the German steel sector a European problem and not just a contentious bilateral one between France and Germany by offering prospective guidelines on merger controls. As a result, Article 66 offered a forum for unofficial transnational discussion, illuminating potential distinctions and connections between formal laws, unofficial customs, and ultimate results. It also demonstrated the uncertainty that comes with merging laws and regulations with different origins and intentions with an effective execution strategy.

After the ECSC experience and the EEC foundation, competition law was one of the main topics at stake. In particular "control of monopolies and of discrimination (the latter being employed as a label for several types of cartels)" (Warlouzet Witschke, 2012). The Commission during the first years was blocked due to the overwhelming amount of work that it must do.

One of the first cases important to define the discipline toward mergers is in 1973, known as the Continental Can case. The Commission barred its first merger in the packaging industry in 1971. The Continental Can case judgment is subsequently challenged and brought to the Court, which upholds the Commission's authority to regulate mergers but reverses it since the case doesn't show a treaty violation. The ECJ's partial backing highlighted the administrative flaws of the Commission, notably in identifying the relevant market.

Despite all of this, merging regulation fails for several reasons. Firstly, the debate around the mergers control is constrained by the isolationist attitude of European countries during oil shock: even though European institutions are favorable to this new kind of approach, member states considered the Commission as "too legalistic and too remote from economic reality", since the previous regulation wasn't applied effectively (Warlouzet, 2010). Concerning the Merger draft itself, three significant objections stood up. First, the suggested threshold was excessively low since too many mergers would be subject to the Commission's oversight. Second, the Commission was granted an excessively long amount of time to make a judgment (3 months, with a further 9 months for difficult matters). Finally, the Commission had not developed a fruitful substantive test, and the requirements for prohibiting a merger were too nebulous (Warlouzet, 2010).

After sixteen years of discussion, in 1989 a clear competition law, on the path of Continental Can case, a merger regulation is adopted. Even though the European environment is more favorable to competition and free-market policy, competition laws are not directly related to this external condition. In fact, in the Single European Act (1986) no competition policy program is mentioned. Political leaders like Thatcher feared the Commission could influence too much British economy;

on the other hand, this weakness was feared by the German counterpart the see their competition law stronger than the European one.

The strengthening of Commission role is related to the Philip Morris merger with Rothman, two giants of the cigarette industry of 1987. ECJ confirms the block imposed by Commission after that the two companies tried to overthrow the decision. From that moment, the Commission intervened more on mergers and in 1988, the new presidency of the Commission starts to investigate several mergers implementing, in force of ECJ approval, new bans on mergers (Warlouzet Witschke, 2012).

Due to the Commission's aggressive efforts, businesses felt insecure and urged their national governments to enact a merger rule to create a stable legal environment. Some businesses were so fearful that they voluntarily disclosed their merger plans to the Commission under no obligation. In the late 1980s, UNICE (Union of the industry of European Community) pushed for a "one-stop shop" mergers approach, arguing that the Commission should have been the only regulatory agency in order to avoid competing national agencies making contradictory rulings. Member States' governments were encouraged to endorse this proposal. As a result, the merger legislation, which was based on Regulation 17/62, was developed in 1989.

The power of the European Commission extended to non-EU mergers too. When the Commission effectively blocked the planned merger between ATR and De Havilland in 1991, it was clear that it had rediscovered its motivation and resolve. The Commission rejected ATR's ambitions to combine with its Canadian rival, despite the fact that the Franco-Italian aircraft manufacturer had planned to do so. French officials were incensed by this judgment, and Foreign Minister Roland Dumas attempted to have the matter reconsidered by the Council even though this was against legal etiquette. The decision was criticized for its economic justification as well, with the Commission being charged of impeding the development of a "European champion" in a significant industrial field. Despite this, the Commission remained unwavering, demonstrating its ability to use its newly granted powers to take actual action, in stark contrast to its previous regulatory policies.

C) STATE AID

State aid history in the European Union can be divided in four periods. The first period goes from 1958 to early 1970s. In this period the Commission's main goal was the creation of a Common market between Member States. In the first period State aid was not a main topic for the Commission, still weak in procedural regulation and with no consideration from Member States that tended to not notify aids. In addition to this problem, the Commission is busy in antitrust politics. Commission, for this reason, focused on cases of aids that obstructed common market creation for example "export aid or parafiscal levies that were clearly discriminatory against out of State traders" (Piernas López, 2016). The ECJ, in the same way, did not define State aid precisely apart from general concerns about harming trade between Member States through unilateral measures. Another characteristic is that ECJ focused not on the distorting outcome and unfairness of the aid, but on the intent of the measures aimed to advantage one party in respect to another, referring to the national exported product taken in consideration and not the beneficiary undertaking itself. On this period however it was made clear that those decisions should be taken into consideration by the Commission in order to avoid loopholes in the application of the Treaties (Piernas López, 2016).

The second phase in the development of State Aid legislation (early 1970s to mid-1980s) is signed by the oil shock. In detail, the Commission did not intervene to avoid protectionist measures during and after the oil shock: the European Court of Justice supports the European Commission's interpretation of Article 107 TFEU. In the Italian textiles case, the ECJ ruled that a national measure cannot be exempt from Article 107 just because it had fiscal or social aims. The Court introduced an effects-based formula for determining whether a measure qualifies as State aid, focusing on its impact rather than its intentions: this clearly changed the dispositions of the previous period in which intentions were the matter of the problem. The Court also confirmed that both direct and indirect benefits, such as reduced charges, can be considered State aid under Article 107. For the first time, in this period the Commission and ECJ proposed no aid findings. From the second half of the 70s, the Commission realized that problems are structural and no longer related to the oil shock emergency. Under a new Commission, careful public finance and inefficient public undertakings went at the center of State aid interpretation. First, the Commission approves Transparency directive to clarify "the financial relationships between public undertakings and States". Contemporaneously, judgements on public undertakings investment follow for the first time a standardized test, called Market Economy Investor Principle (MEIP). MEIP adoption is a clear signal that for the first-time competition policy won't apply only to trade but also to competition inside Member States ("intra-jurisdictional competition") (Piernas López, 2016). Other criteria change from the beginning of 80s is that the evaluation of State aid to sectors given in Italian textile case, was extended also to individual undertakings. Additionally, the Court ruled that only objectives at the European Union level, rather than national objectives, could justify granting aid under the rules of the Treaty. This was a crucial development because it means that aid should align with EU-wide goals rather than solely serving national interests. To conclude, State aid was also considered illegal from this period if given through indirect bodies, both public and private (Piernas López, 2016).

In the third phase, which coincided with the Single European Act and the '1992 program' aimed at European integration, the European Commission took advantage of the growing support for integration to tighten its control over State aid. As the internal market was being established, the Commission began to view State aid rules primarily as competition tools rather than rules governing competition between different economies. This shift in perspective meant that the Commission started treating State aid control as a means to ensure fair competition among individual companies. In this context, the Commission proposed the concept of "general measures" that are non-selective, meaning they do not discriminate or show favoritism towards specific companies within a member state. Additionally, the Court introduced the concept of aid based on the Market Economy Investor Principle (MEIP) test for determining advantage. According to this notion, all State measures, not just capital injections, would be subject to review under market conditions to assess whether they conferred an advantage to the recipient company. During this period, the Court supported the Commission's efforts to tighten State aid control as part of the integration process. It viewed State aid rules as competition tools rather than solely internal market regulations. The Court lowered the burden of proof for demonstrating competition distortion and trade impact, while private applicants highlighted cases of discrimination in State aid.

The last phase goes from the mid-90s to the present day. During this period, it becomes central "the use of the State aid rules to combat harmful business taxation". In fact, the Court established a presumption of competition distortion in case of aid granted thanks to fiscal policy. However, ECJ support for the Commission is limited to cases in which Commission must apply new Treaties' topics like respect for "general economic interest" (Art. 14 TFEU) or integration process issues regarding regional and national competences. ECJ approach regarding State aid competition is not aligned with Commission judgements, since the Court still considers intention to have a role and don't apply a full "effect-based approach" (Piernas López, 2016).

In summary, the development of State aid legislation can be divided into these four phases, each characterized by distinct shifts in focus, including from trade concerns to competition tools, from intention-based to effect-based approaches, and from aid to individual sectors to broader measures. This evolution reflects the changing priorities and challenges faced by the Commission and the ECJ in shaping competition policy within the context of European integration. (Piernas López, 2016)

2.2 The SME Policy of the European Union

The European Union (EU) plays a multifaceted role in shaping markets and supporting various sectors, including Small and Medium-sized Enterprises (SMEs), energy, transport, digital networks, research, innovation, cohesion, and more. Beyond Competition Law, EU initiatives have a profound impact on the market landscape.

Within the framework of the European Single Market (ESM), the EU supports SMEs through various avenues. The European Innovation Council and SMEs Executive Agency (EISMEA) manage programs that facilitate SME access to finance. This funding aims to bolster their growth and innovation capabilities. Additionally, the Connecting Europe Facility program opens avenues for SMEs to secure funding in sectors like energy, transport, and digital networks.

Horizon Europe serves as a cornerstone for EU support in research and innovation, offering funding to SMEs and other entities. The EU's cohesion policy focuses on targeted regions, promoting economic growth, job creation, energy efficiency, climate change mitigation, and social inclusion. Managed by individual European countries, this program fosters balanced development across the continent.

The European Commission plays a pivotal role in providing grants and financial support to projects and organizations aligned with EU interests. SMEs can apply through calls for proposals under EU funding programs or engage through public contracts for goods and services, determined through calls for tender. For entrepreneurs and businesses seeking support, the EU offers a broad spectrum of programs facilitated by local financial institutions. The "Access to finance" portal acts as a resource hub, aiding in identifying suitable EU financing options such as loans, guarantees, and equity funding.

SMEs benefit from tailored initiatives like the Microfinance Facility of the Programme for Employment and Social Innovation (EaSI), offering loans up to €25,000 to launch or develop small businesses. The European Social Fund Plus (ESF+) focuses on improving SME competitiveness through avenues like training.

The LIFE program, overseen by the Innovation and Networks Executive Agency (CINEA), bolsters climate action by helping companies bring environmentally friendly products, technologies, and services to market. This financial assistance pertains to close-to-market projects, aiding the transition toward greener practices.

In summary, the EU's influence extends beyond Competition Law to encompass a broad variety of initiatives targeting SMEs, energy, transport, research, innovation, cohesion, and more. These efforts collectively aim to foster economic growth, sustainability, and prosperity across member states.[8]

2.2.1 The Single Market Programme

The Single Market Programme is a modern, simple and flexible programme, which consolidates a large range of activities that were previously financed separately, into one coherent programme.

The programme brings together 6 predecessor programmes, notably the grants and contracts part of COSME (the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises), programmes on consumer protection, consumer and end-users in financial services, specific activities in the field of financial reporting and auditing standards, measures that contribute to a high level of health for human, animals and plants along the food chain and in related areas, and European statistics.

It also integrates a number of former prerogative budget lines. Drawing from the lessons of the impact assessment, this integrated setup is expected to constitute a more flexible and agile financing framework, which will make it possible to better exploit synergies and prevent duplication and fragmentation.

[8] European Commission (n.d.), *Funding opportunities for small businesses*. European Commission. https://commission.europa.eu/funding-tenders/how-apply/eligibility-who-can-get-funding/funding-opportunities-small-businesses_en

2.2.2 Background and General Information

Enterprise Europe Network is the largest service for SMEs in the world. The main role, since 2008, the network facilitates the access of European SMEs to the Single Market and other markets where the Network is present (mainly China, India, Indonesia, non-EU European countries and almost all the Americas), with a total of 60 countries operational countries. This program helps SMEs to compete through “growth-oriented, integrated business and innovation support services”. In particular, the Network is thought to play a significant role in sustainability projects through advisors and other services. Digitalization is also one of the main factors that the project wants to achieve. The program links SMEs with Business Cooperation Centers, outside the EU that give services to enhance technological transfer, innovation and cooperation between SMEs working in the EU and the third country: these partners are part of the International Network Partner, and they have to collaborate with European SMEs in order to have access to those benefits[9].

The main advice and support made by Enterprise Europe Network are:

• Sustainability: Tailor-made sustainability support is available across Europe, where specialized business advisors offer expertise in sustainability-related matters. Through a thorough assessment of a company's needs and challenges, tailored advice is provided, tapping into a vast network to find innovation partners, new green technologies, and market opportunities for sustainable solutions. Specialized services cover various aspects such as sustainable and circular business models, innovations for greener practices, energy and resource efficiency, waste management, water management, sustainable finance, and compliance with EU certification schemes, legislation, and

[9] EISMEA (2021), *Single Market Programme Call for expressions of interest for International Network Partners of the Enterprise Europe Network*

standards. Moreover, businesses can benefit from cost savings and reduced environmental impact by improving energy efficiency and transitioning to renewable energy sources.

• EU Single Market: EEN offers help for the SMEs to join to benefit of the ESM. In particular experts related to the EEN can help business to move through EU legislation, especially for internationalization activities. Main focuses are selling goods and services, respecting product compliance, displaying opportunities of market abroad, protect intellectual property, lobbying interest to the EC.

• Digitalization: ensure seamless collaboration and synergy with joint activities, such as events, business-to-business (B2B) and investor-to-business (I2B) meetings, shared trade fair appearances, information sessions, and training programs. Assessment of Digitalization Needs: utilization of effective methodologies and tools to assess your digitalization requirements accurately.

• Tailored Advice: provision of personalized advice and assist you in finding innovation partners, market-ready digital technologies, and solutions, as well as market opportunities for digital solutions. Funding Support: assistance to secure funding for your digitalization projects through various EU and national/regional funding programs, schemes, and measures

2.2.3 Horizon Europe

Since 1984, European Community research and technological development activities have been defined and implemented by a series of multi-annual Framework Programmes (FP); The 4th RTD FP (1994-1998), the 5th FP (1998-2002), the 6th FP (2002-2006), the 7th FP (2007-2013) and currently Horizon 2020 (2014-2020). [10]

[10] Eurostat, (2021). *Research Projects under Framework Programmes*. CROS - European Commission. https://cros-legacy.ec.europa.eu/content/research-projects-under-framework-programmes-0_en

A direct help to the SMEs starts with the second framework programme. FP2's structure mirrors FP1, including thematic objectives and transversal actions. It emphasized research infrastructure access, worker mobility, and support for actors in innovation, particularly SMEs and non-Community European countries.

The Treaty of Maastricht, effective from November 1, 1993, brought significant changes to the framework program for research in the European Community. Updates in the law were made to broaden the scope of research activities beyond European industry's competitiveness to support all goals pursued by the Union, including basic research, health, environment, and social sciences. The principle of subsidiarity was introduced, requiring Community and national research policies to be mutually consistent. The Framework Program became a dedicated financial tool with its adopted budget as the maximum amount for research activities[11]. The Commission emphasized scientific excellence while calling for more cohesion. It aimed to replan the Community research strategy with continuity and innovation and encouraged greater coordination of national policies by the Commission. The research policy was intended to address wider societal challenges in Europe. The Commission also considered the possibility of a special focus on SMEs and reaffirmed the principle of rolling programs, meaning that many projects are accepted throughout the year allowing overlapping of projects between different Framework Programmes. Only from the 90s, with FP5, European Union thought research not as something untied from the rest of the market and related only to specific contexts of research (biotechnologies, ICT, transport and energy) but as a part of the construction of European Single Market, directed to “social and economic needs” (Reillon, 2017). For this reason, new activities were added to the Framework Programmes, confirming the international role of European research; innovation and participation of SMEs; and improving

[11] Henriques, L., Barber, M., Heller-Schuh, B., *Analysis of networks in European framework programmes (1984-2006)*, Joint Research Centre, Institute for Prospective Technological Studies, Publications Office, 2011

human potential. The so called “dissemination and optimization of results” in FP4 was changed into “innovation of SME” in FP5 and later developed in Support of SME of FP6 and FP7 (Reillon 2017).

Today, Framework Programmes have become Horizon. Horizon 2020 and Horizon Europe are helping innovation of SME through the pillar called “Innovative Europe”, pushing technological transfer especially the one of human capital and technological development. This pillar value is about 14 billion euros: 70% of this budget must be assigned to SMEs in innovative sectors. Innovative SMEs are helped in different ways:

- Cascade funding. Non-repayable contributions, frequently in the form of vouchers, to promote the creation of solutions, small-scale trials, pilot projects, and help for company acceleration and internationalization are all examples of the financial assistance provided to third parties.
- International partnerships: financial support for precise collaboration platforms.
- Technological transfers to help digitalization.[12]

2.2.4 The European Regional Development Fund

The European Union is committed to invigorating its economies by empowering enterprises through the main project called European Regional Development Fund (ERDF), focusing on four pivotal thematic objectives (TOs). These TOs encompass ambitions that resonate with enhancing the

[12] Horizon Europe -la guida. (n.d.). https://apre.it/wp-content/uploads/2021/04/guida-Horizon-Europe.pdf

overall competitiveness of SMEs, catalyzing innovation within companies, optimizing Information and Communication Technology (ICT) utilization, and contributing to the imperative shift towards a low carbon economy. The main effort of ERDF is the creation of a framework.[13] [14]

The history of cohesion policy in the European Union (EU) dates to the Treaty of Rome in 1957 when the EU aimed to reduce economic disparities between its regions. Initially, three instruments were created to address regional disparities: the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), and the European Investment Bank (EIB).

In the 1960s, the EU started showing greater concern for regional disparities and produced various documents to address regional problems. The creation of the European Regional Development Fund (ERDF) in 1973 solidified the EU's regional policy, and its scope expanded further with the accession of Spain and Portugal in 1986.

The principle of cohesion was given a legal basis with the Single European Act in 1987, and the Delors-1 package in 1988 increased structural funds to support poorer regions. The "partnership principle" was introduced to involve regional authorities in policy formulation and implementation.

However, coordination between regional governments and the EU faced challenges due to constitutional constraints, differing priorities, and tensions among government levels. While some

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[13] Data | European Structural and Investment Funds (n.d.), *Measuring progress in regional support for enterprises 2014-2020*, https://cohesiondata.ec.europa.eu/stories/s/Measuring-progress-in-regional-support-for-enterpr/r36v-vmcg

[14] Data | European Structural and Investment Funds, *An Economy that works for people: Cohesion Policy support for small and medium-sized enterprises - 2014-2020*. https://cohesiondata.ec.europa.eu/stories/s/An-Economy-that-works-for-people-Cohesion-Policy-s/n4ee-2h83/#:~:text=Cohesion%20Policy%20is%20the%20largest,enterprises%2C%20with%20SME%20support%20predominating.

countries embraced regional empowerment, others resisted direct EU intervention in regional development.

The reform in 1993 further reinforced subsidiarity and the partnership principle, but the impact of EU regional policy on decentralization varied among countries and regions. The tension between promoting diversity and universality remained.

In summary, cohesion policy in the EU has evolved over the years to address regional disparities, promote regional development, and involve regional authorities in policymaking. However, challenges in coordination and balancing national and regional interests persist.[15]

2.2.5 The European Social Fund

The European Social Fund (ESF) is a key instrument in Europe aimed at promoting employment and social inclusion. For over 60 years, the ESF has been dedicated to improving employment prospects by fostering education, supporting training, and addressing labor market disadvantages. It benefits various groups, including the unemployed, students transitioning into the workforce, workers, and entrepreneurs. The ESF empowers individuals to take charge of their professional future, even in challenging circumstances or when making a fresh start in their careers. It places significant emphasis on gender equality and combating discrimination, focusing on those at risk of exclusion, such as disadvantaged youth, migrants, and the long-term unemployed. The goal is to ensure equal opportunities for everyone in the job market. To address local needs effectively, each

[15] Dudek, C.M. (2014), *The History and Challenges of Cohesion Policies* Jean Monnet/Robert Schuman Paper Series.

member state and region develops its unique strategy through an Operational Programme. This approach ensures that specific local requirements are catered to optimally.[16]

The European Social Fund (ESF) has a rich history of more than 60 years, and its mission has evolved to address various challenges and goals throughout different funding periods. Here's a summary of the ESF's main focus during each funding period:

The European Social Fund (ESF) has been a cornerstone in fostering economic and social cohesion across the European Union (EU) through various funding periods, each characterized by specific goals and measures to address evolving challenges and drive employment, skill development, and social inclusion.

Starting from the funding period of 1958 to 1971, the ESF focused on promoting adjustments among Member States to achieve growth and full employment. This involved initiatives to enhance professional and geographical mobility, provide re-training, and assist in re-employment for diverse groups such as the unemployed, those with disabilities, and individuals undergoing re-training.

Moving into the funding period from 1972 to 1983, the ESF shifted its goal to address the consequences of re-structuring and the emerging issue of growing unemployment and skills shortages. During this phase, the ESF allocated more resources to professional training, further education, and tackling youth unemployment.

From 1984 to 1988, the ESF directed its efforts toward facilitating longer-term structural change and skill-building measures, with a specific emphasis on creating opportunities for youth employment. The focus expanded to include supporting long-term unemployed individuals, offering

[16] Federal Ministry of Labour and Social Affairs (BMAS). (n.d.). *Europäischer Sozialfonds für Deutschland - About the ESF*. https://www.esf.de/portal/EN/About-the-ESF/content.html

specialized assistance to disadvantaged regions, and promoting employment opportunities for young people.

The subsequent funding period of 1989 to 1994 saw an increased commitment to economic and social cohesion within the EU. This phase involved strengthening transnational cooperation through initiatives like EUROFORM, NOW, and HORIZON, with a focus on skill-building, women's advancement, and the integration of marginalized groups. As the years progressed to 1994 to 1999, the ESF concentrated on promoting adaptation to industrial changes and the integration of disadvantaged individuals into the labor market. Initiatives like ADAPT, EMPLOYMENT, HORIZON, NOW, YOUTHSTART, and INTEGRA played a pivotal role in fostering employee skill development, facilitating shifts in production systems, and promoting inclusion. In the funding period from 2000 to 2006, the ESF aimed to harmonize labor market policies and encourage lifelong learning and entrepreneurship. This involved supporting general and professional training, promoting lifelong learning opportunities, assisting unemployed individuals in establishing businesses, and fostering transnational collaboration. Stepping into the funding period of 2007 to 2013, the ESF pursued the overarching goals of full employment, improved job quality and productivity, social cohesion, and social integration. During this phase, the ESF strengthened transnational cooperation, incorporating strategies from the EQUAL Initiative to combat discrimination and enhance social inclusion.

Looking ahead, the ESF's future goals encompass increasing adaptability, facilitating labor market entry, combating discrimination, enabling labor market access for marginalized individuals, and fostering partnerships for employment and integration reforms. Through its sustained funding and support, the ESF continues to make significant contributions to bolstering social cohesion and enhancing employability prospects for individuals across Europe.[17]

At the core of the European Social Fund (ESF) lies the imperative of needs-based funding, a pivotal component of the allocation process that tailors the extent of financial support and the nature of funded projects to the distinct requirements of each region. This approach considers the relative economic status of regions in comparison to the EU average, classified into three funding categories:

1. Less Developed Regions: These regions exhibit a GDP per capita below 75% of the EU average. Recognizing their pronounced economic disparities, they receive the highest level of ESF funding. This allocation aims to alleviate inequalities and foster social inclusivity.

2. Transition Regions: Transition regions, characterized by a GDP per capita ranging from 75% to 100% of the EU average, garner intermediate levels of ESF funding. These regions engage in a trajectory of enhanced economic development, pursuing convergence with the EU average.

3. More Developed Regions: Regions with a GDP per capita surpassing 100% of the EU average fall into the category of more developed regions. Given their relatively robust economic position, they receive a lower level of ESF funding.

This needs-based approach ensures that regions grappling with substantial economic and social challenges receive amplified financial assistance. This funding facilitates the implementation of projects and initiatives designed to elevate employment prospects, foster skill enhancement, and

[17] Bundesministerium für Arbeit und Soziales (2018) *60 Years of the european social fund – investing in people* https://www.esf.de/portal/SharedDocs/PDFs/EN/publications/37849-60-years-esf-brochure-bf.pdf?__blob=publicationFile&v=1

engender social inclusion. Ultimately, this strategy endeavors to engender equilibrium in development across the EU while addressing regional imbalances. The process of ESF funding allocation to each Member State and region is achieved through the formulation of Operational Programmes. This collaborative effort involves partnership between the European Commission and national or regional authorities. These programmes are crafted while considering the unique priorities and requirements of each region. Subsequently, the ESF funding is channeled into these Operational Programmes, earmarked to fuel projects benefiting individuals, companies, or organizations within the respective regions.

Co-financing and shared management emerge as paramount principles underlying the ESF's modus operandi. These principles underscore the engagement of national and regional authorities in the project implementation process. Co-financing mandates that the ESF funding be accompanied by public or private financing sourced from the relevant Member State or region. This mechanism bolsters commitment and active participation at the national and regional levels, enhancing the efficacy and alignment of funding with local needs. The shared management approach underscores the stewardship of Operational Programme implementation by the pertinent authorities in each country, facilitating a ground-up strategy that takes into account regional realities and challenges.

3. The Impact of European Policies in the Regional Industrial Sectors

3.1 The Limited Role of EU Competition Law

3.1.1 The Case of Mergers

Over the past decade, merger and acquisition (M&A) activities in the region of Baden-Württemberg have shown a more significant growth rate compared to other German federal states. Between 2004 and 2013, the number of M&A deals involving companies from south-west Germany increased by 115%, while other federal states experienced a growth of only 72% during the same period. From 2004 to 2008, the region experienced a notable M&A boom. During this period, the number of mergers and acquisitions surged by 183%, while other federal states saw a growth of only 107%. Then the 2008 economic crisis led to a sharp drop in M&A transactions in Baden-Württemberg, even more severe than in other parts of Germany. A noteworthy aspect is that companies based in Baden-Württemberg have shown a preference for engaging in cross-border M&A activities. Nearly half of their M&A transactions involve acquisitions of companies located outside the region. Only around ten percent of deals involve both buyers and target companies within Baden-Württemberg.

The automotive and engineering sectors have played a significant role in this positive trajectory. Despite being severely affected by the 2008 crisis, these industries have experienced a remarkable recovery since 2010, with the number of sales increasing by 80%, rising from 15 to 27 transactions annually. The crisis created conditions where many companies were undervalued and faced liquidity challenges, making them attractive targets for investors seeking acquisitions. Importantly, ownership changes in companies can yield benefits for the economy by preventing closures and generating cost savings. The ongoing positive performance can be attributed to factors like the region's preference for cross-border deals and the resilience of sectors like automotive and engineering[18]

The European Commission's approach to reshaping energy markets combines competition policy and regulatory measures to pursue liberalization and efficiency. The initial wave of liberalization directives, introduced in 1996 for electricity and 1998 for gas, aimed to dismantle regulated and monopolized energy markets. The 1996 Electricity Directive set the stage by establishing regulations governing aspects such as generation, retail supply, transmission and distribution, unbundling, and overall market regulation. Its counterpart, the 1998 Gas Directive, had a similar objective of opening the gas market, with provisions encompassing the construction of major gas facilities, transmission and distribution, unbundling requirements, and regulatory frameworks. This commitment to market openness continued with a second set of liberalization directives in 2003, which were fully implemented by 2007, setting common rules for the internal markets in electricity and natural gas. These directives addressed aspects such as generation, transmission, distribution, supply, storage, and organization within the energy sectors[19] . For this liberalization process, EnBW (Energie Baden-Württemberg) was involved during the merger of French incumbent EdF (Electricité de France). EnBW was one of the most likely entrants into the French market because of its advantageous geographic location. Only after the merging parties made major undertakings, such as organizing power auctions totaling 30% of the qualifying French market volume to ease market entrance, the merger was allowed by the Commission[20] .

When it comes to the Marche region, there have been over 600 instances of corporate finance activities in the Marche region, including acquisitions, mergers, initial public offerings, private

[18] Centre for European Economic Research (ZEW) (2014) *M&A Report November/December 2014 Global Mergers and Acquisitions Reports and Analyses*
[19] Szücs, F., Duso, T., Andrews, M. (2016). *The economic impact of enforcement of competition policies on the functioning of EU energy markets : non-technical summary and technical report*
[20] Press corner. (27 October 2003). *Prof. Mario Monti European Commissioner for competition policy Intervening against Government restraints on Competition*, European Commission - European Commission.

equity agreements, and venture capital deals. These transactions make up about 1.4% of all such deals involving at least one Italian company.

Mergers and acquisitions hold significant weight in the Marche context, accounting for roughly half of all completed corporate finance operations. Minority stake participations come next, constituting around 36% of the total. In terms of geographical distribution, most of these corporate finance activities have involved companies based in the provinces of Ancona and Pesaro Urbino. Specifically, about 30% of mergers and acquisitions have been recorded in the province of Ancona, followed by Pesaro Urbino, Macerata, Ascoli Piceno, and Fermo. In some provinces, like Ascoli Piceno and Macerata, mergers and acquisitions are the primary form of business aggregation. Conversely, in the province of Fermo, mergers and acquisitions have a smaller share of the total, as other forms of corporate finance activities are more prevalent.

It's important to note that this analysis pertains to completed mergers and acquisitions in which at least one party, either the buyer or the seller, is a company based in the Marche region. This leads to three potential scenarios. The first scenario occurs when both the acquiring and selling companies are based in Marche. The second scenario involves deals between a Marche-based company and an Italian company from another region, which is the most common case analyzed. The third scenario emerges when one of the two companies in the deal is based in a foreign country. In 85% of the analyzed transactions, the acquiring company is Italian, with headquarters either in Marche or another region. The remaining portion of acquiring companies comes from abroad. Regarding the acquired companies, around 90% are Italian, as opposed to 10% being foreign entities[21].

[21] Giannini, V. Iacobucci, D. Orci, M. (2022), *Fusioni e acquisizioni di imprese in Italia e nelle Marche. Tendenze, opportunità e questioni aperte*

3.1.2 The case of Antitrust and Cartels

The European Union's competition rules do not explicitly grant exemptions to small and medium-sized enterprises (SMEs). However, certain agreements that have a minimal impact on competition or trade between EU Member States are not subjected to the general prohibition on anti-competitive cartels, as outlined in Article 85 (1) of the EC Treaty. This concept is further clarified in the Commission's "de minimis communication," which specifies that agreements fall outside the scope of the general cartel prohibition if the combined annual global turnover of the participating businesses remains under ECU 300 million and their market share does not exceed five percent. Most of these exempted agreements pertain to both horizontal (between competitors) and vertical (between businesses at different levels of the supply chain) arrangements and frequently involve SMEs.

Additionally, SMEs also enjoy benefits through block exemption regulations. For instance, the general cartel prohibition does not apply to certain non-reciprocal exclusive distribution or purchasing agreements among manufacturers if at least one party to the agreement has an annual turnover of no more than ECU 100 million. Similar provisions apply to agreements related to beer supply and service station arrangements, with special conditions applied in specific cases. The criteria for evaluating the economic significance of the parties involved in such agreements are based on their annual turnover[22].

3.1.3 The Case of State Aids

Baden-Württemberg has 274 cases of State aid from 2000 to today, of which 71are part of the agrifood sector and 18 in manufacturing: compared to the Marche region, several economic sectors are present. On the total, only 47 have a clear decision and only 3 out of 274 are different from

[22] Biggar, D. R. (1998). *General Cartel Bans: Criteria for Exemption for Small and Medium-Sized Enterprises.*

“Decision finding that the measure do not constitute aid” and “decision not to raise objections”, at least before the investigation. All of them are part of the agrifood sector and did not raise objections even though they had a corrigendum. All of the three are part of a “Scheme”. Similarly, to Hungary, the German legislature also enacted a specific national law that restricts the scope of Article 101 TFEU. An illustrative instance of this is seen in the "Round timber in Baden-Württemberg" case. Here, the German National Competition Authority (NCA) scrutinized the actions of the federal state of Baden-Württemberg, which was engaged in selling and invoicing wood on behalf of various forest owners. The state, through its entity Forst BW, conducted various services linked to the marketing of round timber. In July 2015, the German NCA determined that the agreements between the federal state and the forest owners, which fixed prices and constrained sales, amounted to restrictions of competition by object. Notably, these agreements were brought under scrutiny due to their potential anti-competitive effects. Subsequently, in early 2017, following an appeal by the federal state of Baden-Württemberg against the NCA's decision, the German legislature introduced amendments to the national Federal Forests Act. These amendments essentially exempted such agreements from the purview of national competition law and also impliedly from EU competition law by establishing a presumption of justification under Article 101(3) TFEU.

However, the comprehensive scope of these amendments did not gain full acceptance by the Düsseldorf Higher Regional Court. The Court upheld the NCA's decision, highlighting that the legislative modifications merely implied that the activities of the federal state no longer contravened German competition law. The Court argued that the German legislature lacked the regulatory authority to curtail the complete application of Article 101 TFEU. Nonetheless, it is worth noting that eventually, the actions of the federal state of Baden-Württemberg were not proscribed. In June

2018, the Federal Court of Justice overturned the NCA's decision to take on the case, although it did not explicitly delve into the compatibility of the legislative amendment[23] .

When it comes to the State aid, the Marche region has been affected by decisions of the Commission a limited amount of time. In fact, looking at the database of European Commission the total cases that involved Marche region from 2000 regarding State aids are 262, in which 51 are related to manufacturing especially aids related to R&D, and agrifood sectors. Considering all the 262,65 have a clear judgement of the Commission. Only 8 out of 262 have a different judgment from "Decision finding that the measure do not constitute aid" and "decision not to raise objections", at least before the investigation. The database used considers cases from 1999, and the great majority of cases considered state aid are focused on agricultural sector and forestry. Considering again those 8, 7 are part of the case type called "scheme", meaning that "acts of abstract and general character, on the basis of which individual aid awards may be made to undertakings without needing to notify individually to the Commission" [24]. Only one of them instead involve the naval sector, alongside other Italian regions.

3.2 The Effects of European SME Programmes

3.2.1 The ERDF in the Marche Region: Environment and Diversification

The ERDF program in Marche region from 2000 to 2020 was based on the enhancement of tourism and rural development. This project was made possible thanks to a focus on SMEs. The program of

[23] Brook, O. (2018) *Member States' interest in the enforcement of EU competition Law: A case study of Article 101 TFEU*

[24] Competition Policy, (n.d.), cases search user guide. https://competition-policy.ec.europa.eu/state-aid/cases-search-user-guide_en#annex3

2000-2006 amounts to EUR 125.282 million and it's structured in four main priorities, all of them involve SMEs in different ways[25]:

- Priority 1: Development of manufacturing industry by aiding the growth of industrial and craft businesses. It involved supporting traditional incentives for these sectors, such as environmental investments and service acquisitions. The aim was to encourage innovative interventions for SMEs, help for advanced business services, and facilitating the establishment and growth of local enterprises.
- Priority 2: ecological system and territorial enhancement focusing on safeguarding and enhancing the region's environmental and cultural heritage. SMEs were involved in improving the environmental education network, and make efficient transportation systems, associated infrastructures, and port facilities especially of rural areas.
- Priority 3: economic diversification and local development of economic activities, particularly in tourism, culture, and sectors that contribute to improving the quality of life and social well-being. To realize this diversification, fostering commercial and craft enterprises was pivotal for achieving diversification and growth.
- Priority 4: technical assistance on supporting the management, information dissemination, monitoring, control, and evaluation aspects of the program. Financial backing was allocated to all aspects of program implementation, including administration, monitoring, and control.

Eligible areas within the Marche region exhibit diverse characteristics, but many fall within a large rural area. These areas feature numerous traditional labor-intensive manufacturing industries, although some like the textile and clothing sectors in crisis. Small or very small businesses have

[25] Inforegio - Objective 2 Programme for Marche. (n.d.). Ec.europa.eu. https://ec.europa.eu/regional_policy/in-your-country/programmes/2000-2006/it/objective-2-programme-for-marche_en

fragilities in structure and finance. Innovation and skilled personnel are not widespread. The service sector is generally weak, with a limited presence of high-tech services.

The next ERDF program of the Marche region from 2007 to 2013 had a total budget of approximately €289 million. Community funding from the European Regional Development Fund (ERDF) contributed around €113 million. The primary aim of the Operational Programme is to enhance competitiveness across the regional economic landscape. The program was designed to stimulate research and innovation, cultivate an innovative economic environment, promote sustainable development, and facilitate the use of information and communication technologies (ICT) by businesses. The program also targeted support for small and medium-sized enterprises (SMEs) through improved access to credit, financing, and financial guarantees to encourage SME investments. The program was projected to create around 1500 direct new jobs and achieve a 20% increase in employment within the R&D sector. The program aimed to reduce greenhouse gas emissions, with substantial reductions in local air pollution. In the ICT domain, the program targeted an additional 6% of enterprises gaining broadband access[26].

The program is organized into the following priority areas:

1. Innovation and Knowledge Economy focusing on strengthening the regional innovation system, encouraging technological transfer to SMEs, and enhancing collaboration among firms and research institutes. Private sector involvement and industrial research efforts will be promoted. SMEs will benefit from easier access to credit and financing, contributing to SME investments.

2. Information Society to reduce the digital divide by improving network access for citizens and businesses, particularly in less developed areas. The program seeks to promote ICT adoption by

[26] Inforegio - Operational Programme "Marche." (n.d.). Ec.europa.eu, https://ec.europa.eu/regional_policy/in-your-country/programmes/2007-2013/it/operational-programme-marche_en

SMEs, boost broadband use, and develop added value services, especially in remote and rural regions.

3. Sustainability and Energy Efficiency: enhancement energy resource efficiency, promoting renewable energy production, and improving energy efficiency through savings and combined heat and power generation.

4. Accessibility to Transport Services: The program aims to enhance key transport infrastructures and develop freight and passenger transport systems. It also focuses on boosting local public transport services through Intelligent Transport Systems and improved connections.

5. Territorial Development: This priority employs a territorial approach, implementing integrated programs to preserve environmental and cultural heritage, as well as supporting risk prevention.

The last ERDF program of the region was based on fostering economic growth and job creation by promoting innovation and enhancing the regional research and development system. Aligned with the Europe 2020 strategy for smart, sustainable, and inclusive growth, the program aimed to improve SMEs' competitiveness, upgrade broadband infrastructure and services, enhance energy efficiency in the region, and facilitate SMEs' access to credit. The total EU contribution amounts to 292 million euros. Reinforce research, technological development, and is the primary objective of the plan. Secondly, the promotion of SMEs competitiveness. Thirdly, the priority is to facilitate the transition to a low-carbon economy across sectors, with the goal of reducing greenhouse gas emissions. The final aim was to expand the broadband infrastructure and enable at least 1,080 enterprises to connect to the broadband infrastructure[27].

[27] Inforegio - ROP Marche ERDF. (n.d.). Ec.europa.eu. https://ec.europa.eu/regional_policy/in-your-country/programmes/2014-2020/it/2014it16rfop013_en

3.2.2 The ERDF in Baden-Württemberg: Research and Development

The development plan for Baden-Württemberg in 2000-2006 encompassed three main priorities and technical assistance measures, with a total amount of 97.8 million e provided by the EU[28]:

1. Development of economic infrastructure: this priority aims to enhance various forms of infrastructural development, including investments in tourism, start-up centers, SME collaboration, establishment of new sites, repurposing of underused sites, flood protection, and wastewater treatment.
2. Support for SMEs: focused on promoting SME growth, this priority covers modernization and expansion of enterprises, adoption of modern technologies, support for start-ups through consultancy and investments, and specialized aid for tourism companies.
3. Restructuring Inner-City Problem Areas: this priority involves infrastructure investments to enhance industrial sites, mitigate environmental risks, and create shared infrastructures for businesses. SMEs will receive assistance for technology investments and energy-efficient practices.

The program regarded approximately 800,000 people residing in dispersed areas within Baden-Württemberg, including rural regions and inner cities. In rural areas, changes in industry and agriculture have led to a decline in agricultural businesses and manufacturing, highlighting the need for skill development and investment in the service sector. Mannheim's inner city faces typical urban challenges: large enterprises dominated employment, but job opportunities diminished.

[28] Inforegio - Baden-Württemberg Objective 2 Programme. (n.d.). Ec.europa.eu. https://ec.europa.eu/regional_policy/in-your-country/programmes/2000-2006/de/baden-wurttemberg-objective-2-programme_en

The approved Operational Programme for Baden-Württemberg during 2007-2013 aimed to strengthen regional competitiveness and create sustainable jobs, aligning with the Lisbon Strategy. This program seeks to enhance competitiveness and innovation through an integrated approach to secure employment and sustainable development. It also promotes equal opportunities, environmental protection, and supports sustainable urban and municipal development, considering demographic trends. Community assistance through the ERDF amounted to around €143 million.[29]

The program supported 385 new SMEs through direct investment aid and collaborated on around 120 research and technological development projects involving businesses and research institutions. Additionally, other projects related to environmentally friendly products or processes. The program also emphasized resource protection and risk mitigation for climate change effects. A significant portion of the budget was allocated to four selected cities: Mannheim, Pforzheim, Heilbronn, and Villingen-Schwenningen.

The Operational Programme of Baden-Württemberg (ERDF) for 2007-2013 was structured into the following structure: firstly, innovation, knowledge-based economy, and clusters focus on reinforcing research and development structures, fostering innovation, and developing economic clusters and networks. The goal is to enhance innovative environments for businesses and knowledge transfer, including support for new and established innovation-based enterprises. Secondly, sustainable urban and municipal development: economic infrastructure measures and SME-focused access to external financing for urban centers and pilot municipalities. It integrates environmental and social aspects for tailored support and synergies. Inner-city projects in selected

[29] Inforegio - Operational Programme "Baden-Württemberg." (n.d.). Ec.europa.eu. https://ec.europa.eu/regional_policy/in-your-country/programmes/2007-2013/de/operational-programme-baden-wurttemberg_en

urban centers, such as Mannheim, Pforzheim, Heilbronn, and Villingen-Schwenningen, will contribute to sustainable urban development and encourage new business ventures. Finally, resource protection and risk prevention in renewable energy sources, and energy efficiency to achieve climate and resource protection. It aims to strengthen the environmental technology cluster, create jobs, and enhance SME competitiveness.

The ERDF programme for Baden-Württemberg 2014-2020, aimed to maintain and strengthen the region's position as a leading innovative and economically strong area within the European Union. The program was focused on promoting innovation, advancing the *Energiewende* (energy transition), and reducing CO2 emissions. The Regional Development Fund (ERDF) allocated €359 million to support the program's implementation, enabling the realization of its objectives and expected outcomes[30].

The program supports innovation and the Energiewende through targeted funding instruments. This includes initiatives aimed at boosting applied sciences, research collaboration between various stakeholders (enterprises, universities, research institutes), enhancing technology transfer in clusters and networks, supporting small and medium-sized enterprises (SMEs) in accessing research results, developing methods for phosphor recycling, assisting high-tech start-ups, and fostering innovation in SMEs with technological leadership potential in rural areas.

The program was structured around two main funding priorities: primarily, research, technological development, and innovation, by strengthening Baden-Württemberg's innovative potential and economic competitiveness. The measures include supporting research, technology transfer, cooperation among enterprises and research institutions, and fostering innovation in SMEs,

[30] Inforegio - Operational Programme ESF Baden-Württemberg 2014-2020. (n.d.). Ec.europa.eu. https://ec.europa.eu/regional_policy/in-your-country/programmes/2014-2020/de/2014de05sfop003_en

especially in rural areas. The program had the target to develop and expand of 17 research and innovation infrastructure projects, facilitating technology transfer initiatives for 3,600 SMEs, providing support to 90 SMEs displaying technological leadership potential, aiding 27 high-tech start-ups. Secondly, the program emphasizes energy efficiency measures to reduce CO2 emissions. It promotes the establishment of an energy efficiency network covering the entire region, offering support to enterprises for better energy use.

3.2.3 The ESF in Marche and Unemployment Sustainability

Starting in the 2000-2006 programme, the OP 'Marche' focused on the relatively high unemployment rates among well-qualified young people. One scheme funded postgraduate courses in which young adults ran one-year research projects in companies. Later extended to cover work experience for school leavers, the initiative helped 2750 people, two-thirds of them women. Well over half of all participants subsequently found jobs[31] .

After that, in 2007-2013 ESF focused precisely on the industry. It assisted microenterprises by helping financially successfully 867 microenterprises in total. These microenterprises received loans amounting to around 16.4 million, which helped in creating an estimated 2,200 new jobs. In line with influence in SMEs policy, ESF tried to deal with gender and business: most of the recipients were women, with an average age of around 35. The main types of businesses supported were microenterprises in the services and artisan manufacturing sectors. Thirdly, the programme considered the problem of incentive to lend: the financial instrument provided guarantees to financial intermediaries, which encouraged them to lend to start-ups. The intermediaries had a stake in the process due to their own resources being at risk. This led to a more careful screening of

[31] European Commission, *The European Social Fund in Italy, 2007-2013*, https://ec.europa.eu/employment_social/esf/docs/italy_en.pdf

potential borrowers. Lastly, skills enhancement for SMEs was another point of ESF. In fact, besides financial support, non-financial services were provided to new entrepreneurs. This helped improve the skills and capabilities of the entrepreneurs, contributing to the success of their businesses[32].

The ESF operational programme for the Marche region between 2014 and 2020 in Italy was focused on enhancing employment as a pathway to robust, sustainable, and inclusive growth, with a strong emphasis on social inclusion, education, and training initiatives. With a total value of almost 288 million, the programme received around 144 million as co-funding from the EU and it was designed to address key regional and EU 2020 objectives. The program's priorities were as follows: promoting employment, with over 60% of the budget, was mainly achieved thanks to measures aimed at increasing employment rates. The actions were centered on enhancing employability, fostering youth and female employment, retaining adults in the job market, and modernizing public employment services. The program provided vital support to jobseekers and those currently outside the labor market, assisting long-term unemployed individuals and those who are distanced from employment opportunities. The ESF facilitated local employment initiatives and labor mobility, including international job placements. These measures aimed to bridge the skills gap and better align jobseekers' skills with available job opportunities through improved collaboration between institutions and stakeholders. Secondly, enhancing social inclusion and access to work toward improving access to work was a matter of great interest in this programme. In fact, this is crucial for fostering social inclusion. The program sought to boost the access of individuals to affordable, sustainable, and high-quality healthcare and social services, thereby raising the overall living standards across society. Regarding industry and SME, the programme focused directly on human capital initiatives with adapting training and education with the recognition of the importance of training and education services in order to raise employment chances of jobseeker individuals. By

[32] EIB (2016) *Case study ESF guarantee fund for social inclusion Marche - Italy*. Fi-compass.

aligning these services more closely with the needs of the local labor market, specialized vocational education and high-quality training was made available. These initiatives supported emerging industries in the Marche region and provide school-leavers with the necessary skills to fill available job positions.

Lastly the ESF focused on strengthening administrative capacity: underpinning all priorities is the strengthening of the administrative bodies and institutions within the region. This capacity-building focus is intended to enhance the region's ability to manage and oversee the OP's objectives effectively[33].

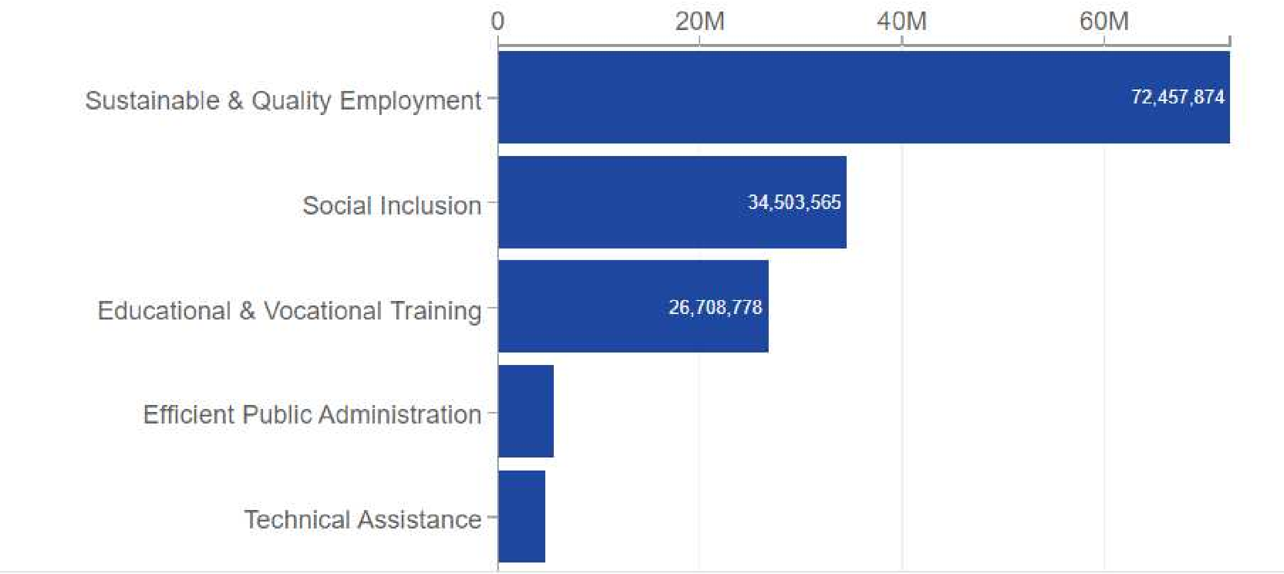

Figure 3Five main voices in Marche Region ESF 2014-2020, https://ec.europa.eu/regional_policy/in-your-country/programmes/2014-2020/it/2014it05sfop008_en

[33] Inforegio - POR Marche ESF. (n.d.). Ec.europa.eu. https://ec.europa.eu/regional_policy/in-your-country/programmes/2014-2020/it/2014it05sfop008_en

3.2.4 The ESF in Baden-Württemberg: Forming the Human Capital

During the previous programming period of 2000-2006, Baden-Württemberg, with the support of the European Social Fund, executed various projects that aimed to address social challenges and reinforce workforce integration. For example, integration networks for socially disadvantaged youth, through a project known as '*Startklar!*', encompassed nearly 40 local initiatives, guided by the Baden-Württemberg youth welfare office. This initiative employed integration managers and sponsorship programs to aid socially disadvantaged young individuals. These integration managers facilitated the transition of young people from secondary or specialized schools, or from training and qualification programs, into the regular job market. Businesses, associations, and volunteers collaborated to assist these young individuals in establishing their careers.

Secondly, human capital remained central in the ESF programme as the institution of vocational training for mothers with migrant backgrounds testified. The project in Baden-Württemberg focused on enabling women with migrant backgrounds to enter the regional labor market using their existing vocational qualifications and certificates obtained in their home countries. Many highly educated women faced challenges due to their qualifications not being recognized in Germany without additional examinations. The project aimed to help bridge this gap, emphasizing the improvement of German language skills alongside vocational training. Similarly to the previous project, the integration of young ex-prisoners into work was also crucial. The reintegration of young individuals who had been in prison into the job market was made possible thanks to efforts made to establish connections with work and social environments. Post-release, support was provided to address personal, administrative, and housing-related matters. In some cases, unfinished vocational qualifications were resumed and completed.

Taking a deeper look at SME policies, ESF pushed for moderators for business transfers. In the context of small and medium-sized enterprises, older proprietors often faced challenges in finding successors. The moderator concept, initiated by chambers of industry and commerce and chambers of trade, played a crucial role in addressing this issue. Moderators engaged with business owners in the early stages to identify potential problems and facilitated the search for qualified successors, ensuring the continuity of these businesses[34].

The second round of ESF (2007-2013) was based on three main points focused more on SME and industry competitiveness. Firstly, the enhancement of employees and enterprises adaptability was one of the main projects that drove employment growth since a thriving economy requires the infusion of novel ideas and upskilling of the workforce. Baden-Württemberg places particular emphasis on advancing vocational training for employees as a strategic goal. Feedback from 2000-2006, the older ESF highlighted participation in further vocational training among certain groups considered marginal. This programme period sought to rectify this situation, with a focus on strengthening supplier-based training initiatives. Additionally, the strategic objective of reinforce production capacity through operational flexibility in SMEs holds incredible importance. This approach not only fostered innovation and competitiveness among small and medium-sized enterprises but also prioritized work-life balance for both genders. Furthermore, Baden-Württemberg was committed to developing an entrepreneurial culture, encouraging business startups, and facilitating business transitions.

Baden-Württemberg tackled its second priority by channeling efforts into increasing prospects for the upcoming generation. Acknowledging the vulnerability of young individuals without academic or vocational qualifications to long-term unemployment, the region strived to accelerate their integration into vocational training and job markets. Based on evaluations conducted during the 2000-2006 programming period, the *Land* recognizes the necessity of fully engaging the existing workforce by empowering young people with the proper qualifications. Leveraging the European

[34] Publications Office of the European Union. (2008). *The European Social Fund in Baden-Württemberg, Germany, 2007-2013*

Social Fund, the state's focus extends to boost the longevity of older employees within the workforce. Moreover, a pivotal objective involves fostering innovation within SMEs, promoting knowledge transfer through strengthened collaborations between academic institutions, research bodies, and industry.

Employment remained a crucial part of the ESF in this period, since strictly related to social inclusion and to the competitiveness of the SMEs, asking for qualified human capital. Baden-Württemberg was resolute in addressing the initial integration into the workforce and increase employability. The state's strategic objective is to curtail unemployment in the long run, taking cues from observations during the 2000-2006 programming period. In the years to come, training initiatives will pivot towards emphasizing practical skills and certifications relevant to the job market. Parallelly, participants also received coaching on social aspects. The overarching goals encompassed elevating women's participation in the workforce, promoting work-life equilibrium, more chanced of employability, and fostering inclusion for marginalized groups. By facilitating close collaboration among pertinent institutions, the state aims to tailor measures to address localized unemployment disparities.[35]

The ESF operational programme for the state of Baden-Württemberg in Germany was meticulously designed to confront the imminent employment and economic challenges that the region faces. Framed around a forward-looking perspective, the OP was officially adopted by the Commission on September 1, 2014, boasting a total budget of EUR 520 million, half of which is funded by the EU, and it was set to finish in 2020.

The primary objective of the ESF was to unlock the latent potential of the region's populace by channeling efforts toward maximizing employment opportunities. This aspiration incorporated

[35] ibidem

various segments of the population, including the long-term unemployed and those who have been inactive for a considerable period. The programme also underscored the importance of strengthening educational efforts and addressing issues of poverty and social exclusion. The operational programme was structured around three key priority axes. The first was sustainability and the quality of jobs and mobility. For the very first-time green transition met, in the ESF programme, the necessity of the industry and the SME. Nearly half of the allocated funding (46%) was dedicated to projects that fostered sustainable, high-quality jobs and increased mobility. This priority benefited around 90,000 individuals. Strategies included integrating the long-term unemployed into the workforce, facilitating vocational training for young jobseekers, and enhancing the skills of employees within small and medium-sized enterprises. Innovative approaches like part-time apprenticeships received financial support. Combating poverty and social inclusion was the second priority of the ESF programme. This involved providing tailored support to individuals with fewer opportunities and qualifications. Local and municipal projects catered to approximately 15,000 individuals, helping them acquire relevant qualifications and enter the labor market. The third priority emphasizes education for individuals from diverse backgrounds and age groups. Approximately 18,000 people were expected to benefit from projects focusing on lifelong learning for older individuals and workers. Furthermore, initiatives provided guidance to school-leavers in their pursuit of work or training opportunities. Measures such as personal coaching were implemented to prevent school dropouts, while higher education institutions, including universities, developed new work-related programs. Gender equality in higher education gained a central role, and it was advanced through support for female university researchers. Baden-Württemberg anticipated forthcoming challenges related to the shortage of skilled labor and discrepancies in skill requirements (skill mismatch between individuals and firms). In response, the programme was strategically designed to cultivate opportunities that address these challenges head-on, while simultaneously maintaining the region's strong economic performance [36].

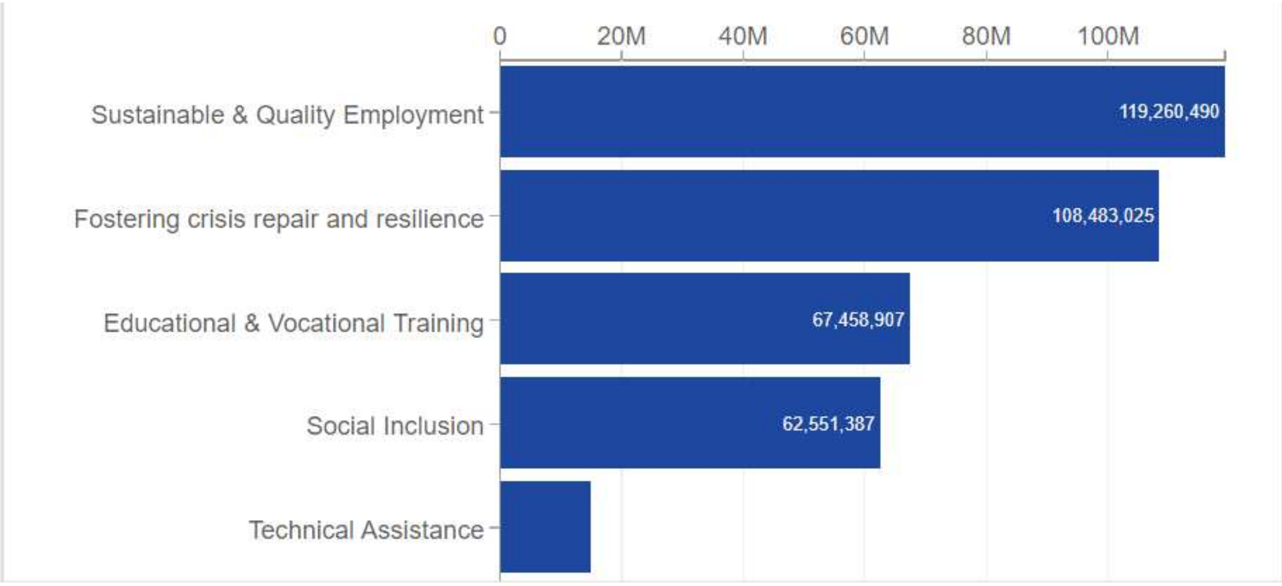

Figure 4 Five main voices in Baden-Württemberg ESF 2014-2020, https://cohesiondata.ec.europa.eu/2014-2020/OP-2014-2020-finances-planned-by-TO/dfqu-z6tv?referrer=embed

[36] Inforegio - Operational Programme ESF Baden-Württemberg 2014-2020. (n.d.). Ec.europa.eu.

https://ec.europa.eu/regional_policy/in-your-country/programmes/2014-2020/de/2014de05sfop003_en

Conclusions

In conclusion, the thesis aimed to show if and how European policy impacted the industrial sectors of the Marche Region and Baden-Württemberg. Basing the research on an interdisciplinary approach, mainly focused on a qualitative analysis of the two industrial sectors historical development, European Union competition law and SMEs' policy and in the end the application of them in the two regions.

By analyzing the two regions, the thesis shows that different kind of evaluations has been made by the regional government to apply SMEs programs: both focused on distinctive characteristics of their industrial sectors, operating in a different field to help SMEs. I addition to this, this work shows hoe competition had a limited impact on the industrial sector, mainly due to small impact of operation such as mergers, state aids and cartels.

In order to understand the compilation of the thesis, it's important to underline the basis of the comparison. First, the Baden-Württemberg and the Marche Region are both characterized by widespread presence of SMEs: this peculiarity makes them interested in SMEs programs financed by the European Union. Secondly, Marche and Baden-Württemberg have industries organized in districts: those districts are mainly traditional manufacturing in the Italian region, like wood, mechanical, textile, footwear, and clothing while in the German state the main development for the industry regarded mechanical, automotive, electronics and chemical sectors.

The traditional industry in the Marche region took off in the 1970s. The region's history of *mezzadria*, a sharecropping system, created a unique link between agriculture and industry, enabling a smooth transition from agrarian-based economy to successful industrialization. Small and medium-sized enterprises (SMEs) played a crucial role, with family-owned businesses prevailing. These SMEs thrived due to personalization of demand, incremental innovation, and favorable legislation for SMEs since the fascist period.

The development of industrial districts was marked by two main phases: initial spread of small firms meeting local demand, and subsequent growth driven by European integration and the need for economies of scale. However, challenges emerged, including competition from global markets and the need for technological innovation. The Marche region's reliance on traditional manufacturing led to difficulties during economic downturns and increased competition.

While the region's industrialization initially succeeded without heavy investment in research and development (R&D), changing market dynamics and globalization highlighted the importance of innovation. Universities started contributing through academic spin-offs, aiding technology transfer. However, challenges remain in terms of business succession, lack of high-skilled labor, and the need for technological upgradation. Despite facing challenges, the Marche region has shown remarkable economic growth, adapting its industrial landscape to remain competitive. The role of SMEs, family businesses, and the unique link between agriculture and industry has shaped the region's journey from traditional crafts to a vibrant industrial economy.

After World War II, Baden-Württemberg (BW) faced production restrictions but managed to maintain industrial production due to increased working hours and high employment growth. Industrial associations and cartels persisted, supporting coordinated specialization and cooperation with trade unions and public institutions. In the 1960s, BW shifted from a labor-intensive economy to a focus on machine manufacturing, chemicals, automotive, and electronics. The success stemmed from collaborations between small and large enterprises, with many SMEs acting as suppliers to major global firms like Daimler-Benz, Porsche, and Bosch. The oil crisis of 1973 had a significant impact, causing challenges in the labor market and economic downturns. However, old industries like mechanical engineering and automotive remained strong and adaptable. Collaboration between unions and employers' associations helped maintain stable industrial relations. The 1990s brought challenges in labor relations and innovation. High-quality products faced price competition, and deficits in innovation were evident in sectors like biotechnology and IT. The traditional vocational training system struggled to adapt to changing needs, causing a shift towards company-level training.

In the 2000s, the software industry emerged as a new cluster, with Baden-Württemberg leading in Germany. The region's research infrastructure and high R&D intensity contributed to its economic resilience. However, challenges remained in adapting to new industries and global competition, and the concentration on core sectors posed risks. Overall, Baden-Württemberg's success was driven by strong industrial collaborations, innovative SMEs, and close ties between small and large enterprises. However, challenges in adapting to new technologies, labor market changes, and diversifying industries required continuous efforts for sustainable growth.

The second chapter explains the European environment through the European competition law and the SMEs policies. European Competition Law, rooted in TFEU Articles 101-109, is reinforced by protocols, notably Protocol 27 linking to Article 352 TFUE. Article 352 permits necessary action in the absence of treaties. Essential provisions include Articles 37, 106, and 345 TFEU, regulating national monopolies, undertakings, and private property. Purpose-wise, EU competition law upholds fair competition, reliable supply, growth facilitation, industry competitiveness, non-discriminatory pricing, and equitable trade. It aligns with Schuman Declaration's goals and adapts over time to address diverse issues, underpinning a competitive, integrated European market. EU competition law comprises antitrust, merger control, state aid, and public undertakings and services regulations. It combats anti-competitive actions and abusive dominance, ensuring fair markets. Merger control assesses mergers' competitive effects, while state aid rules prevent undue benefits from state intervention. These measures foster social cohesion, quality, and equal treatment. Prohibitions cover anti-competitive agreements and dominant position abuse. The framework counters market distortions, with adaptable policy addressing challenges and aligning with goals like climate protection and energy objectives. The evolution of EU competition law relating to antitrust follows three phases: initial institutional basis (1950-1962), weakened neo-functionalist momentum (1962-1981), and robust policy emergence (1981-1991). Schuman's influence led to the 1951 creation of the European Coal and Steel Community (ECSC), fostering anti-cartel sentiment. The Treaty of Rome in 1957 began the focus on competition. The 1962 "system of notification" marked progress. The 1980s prioritized single-market unification. Merger control evolved through key cases, leading to the 1989 adoption of a detailed competition policy. State aid history spans four phases, transitioning from trade concerns to competition tools, and from intention-based to effect-based approaches, reflecting the evolution of EU priorities.

The other side of the question we have to he European Union (EU) actively supports Small and Medium-sized Enterprises (SMEs) through multifaceted initiatives. Within the European Single Market (ESM), programs like the European Innovation Council and SMEs Executive Agency (EISMEA) facilitate SMEs' access to finance, enhancing growth and innovation. The Connecting Europe Facility program aids SME funding in energy, transport, and digital sectors. Horizon Europe fosters research and innovation, offering SMEs opportunities for funding. The EU's cohesion policy targets specific regions, promoting economic growth, job creation, and social inclusion. The European Commission provides grants and support to projects aligned with EU goals. SMEs can access funding through calls for proposals or public contracts. Specialized initiatives like the Microfinance Facility of the Programme for Employment and Social Innovation and the European Social Fund Plus contribute to SME competitiveness. The Enterprise Europe Network offers tailored advice on sustainability, EU Single Market access, and digitalization. Horizon Europe's Innovative Europe pillar supports technological transfer and innovation, especially for SMEs, contributing to their growth and development. In the thesis, other two main programs are exposed: ERDF and ESF. The European Union's commitment to boost economies is reflected in the European Regional Development Fund (ERDF). It targets four key objectives: SME competitiveness, innovation, ICT utilization, and a shift to a low-carbon economy. ERDF's history dates back to 1973, aiming to reduce regional disparities. The European Social Fund (ESF), for over 60 years, focuses on employment and social inclusion through education, training, and combating discrimination. It caters to less developed, transition, and more developed regions, tailoring funding to their economic status. ESF's role has evolved over various funding periods, addressing challenges, fostering skill development, and inclusion. Operational Programmes channel ESF funding, involving national and regional authorities with co-financing and shared management principles, ensuring alignment with local needs.

The third and final chapter gathers the previous information and gives a picture on how the Competition Law and the SMEs policy influenced the industrial sectors of the two regions considered. Over the past decade, merger and acquisition (M&A) activities in Baden-Württemberg, Germany, have outpaced other federal states, growing by 115% between 2004 and 2013. This robust growth was particularly pronounced between 2004 and 2008, with a surge of 183% in M&A deals, driven by industries like automotive and engineering. The region's preference for cross-border M&A transactions is notable, with nearly half of its deals involving companies outside the region. In contrast, only around 10% of transactions involve both buyer and target companies within Baden-Württemberg. This trend reflects the region's economic resilience and the attractiveness of undervalued companies during economic crises.

In terms of energy market restructuring, the European Commission pursued liberalization and efficiency by enacting directives for electricity and gas markets. These directives aimed to dismantle monopolized markets, fostering competition. EnBW's involvement in the merger of EdF highlighted the Commission's approach, where market entry conditions were established to ensure fair competition.

Marche, Italy, saw over 600 corporate finance activities, with M&A constituting half of them. These operations were primarily concentrated in the provinces of Ancona and Pesaro Urbino. In Marche, mergers and acquisitions form a significant form of business aggregation, especially in certain provinces.

Regarding antitrust regulations, the EU's competition rules do not grant explicit exemptions to small and medium-sized enterprises (SMEs). However, certain agreements with minimal competition impact may be exempted based on turnover and market share criteria. Block exemption regulations further benefit SMEs, like non-reciprocal exclusive distribution agreements. State aid in Baden-Württemberg and Marche involved various economic sectors. While Baden-Württemberg's legislative attempts to exempt actions from competition law met with mixed outcomes, Marche had fewer instances of state aid involvement, primarily in the manufacturing and agrifood sectors.

When it comes to SME policies, it’s important to remember that it’s possible to analyze only the region-managed ones, since other initiatives directly tie EU and the firm. So, the third chapter takes into consideration only ERDF and ESF. The ERDF programs in both the Marche region and Baden-Württemberg have been instrumental in fostering economic growth, innovation, and sustainability. In the Marche region, the 2000-2020 ERDF programs focused on enhancing various sectors through specific priorities, such as manufacturing, environmental enhancement, economic diversification, and technical assistance. These programs have provided financial backing for SMEs, infrastructure development, innovation, and environmental protection. Similarly, in Baden-Württemberg, the ERDF initiatives spanning different periods aimed at strengthening regional competitiveness, supporting research and innovation, and addressing climate and energy challenges. These programs have facilitated investments in industries, technology transfer, energy efficiency, and urban development, driving economic advancement and sustainable practices.

In the Marche region, the ESF programs have prioritized addressing unemployment, promoting gender equity, and supporting microenterprises. The 2000-2006 program focused on enhancing the employability of young adults through postgraduate courses and later extended to support microenterprises. The 2007-2013 initiatives continued to aid microenterprises, especially those led by women, and incentivized lending. Additionally, efforts were made to enhance the skills of entrepreneurs and bridge the gap between skills and job opportunities. In Baden-Württemberg, the ESF programs targeted workforce inclusion and skills development. The 2000-2006 program concentrated on aiding young jobseekers through research projects and work experience. The 2007-2013 initiatives assisted microenterprises, encouraged training and education alignment with labor market needs, and strengthened administrative capacity. These ESF programs have aimed at boosting employment prospects, gender equity, and skills enhancement, contributing to regional socio-economic growth.

The thesis' findings are diverse: competition law seems to have a limited effect on both German and Italian regions. In fact, the merging process kept occurring throughout the year, and no supranational intervened in a systematic way except for very big and strategic companies like EnBW. This limited intervention is due to different factors depending on the region: in Marche, the merging process occurred with between SMEs, while in Germany the national competition authority has a stronger role due to historical reasons. The same occurs for antitrust and State aids: European influence, even though is more visible in the second case, it's not so aggressive and tend to accept a great variety of aids, with the due exceptions. Pro SME policy permits a certain level of flexibility when it comes to antitrust too.

When it comes to SMEs programs, ERDF and ESF, it's possible to see how the two industrial sectors organize, with the public institutions, their development. Marche focused ERDF in efforts like green transition, technical assistance and diversification, while in the Baden-Württemberg competitiveness and innovation were the two main pillars of the program: this underlines the basic difference of the two industrial sector, one more labor intensive and the other more capital intensive. ESF project, on the same way, helped unemployment in the Italian region while enhanced human capital formation in the German region.

In conclusion, the thesis showed the limited effect of EU policy directly to the two regions but showed how flexible and adaptable can be European programs on the diverse industrial European framework.

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