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Title: 'Territorial units' competitiveness: A self-reliant concept or a derivative concept of firms' competition?'

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SUMMARY

In the modern globalized economy there are some concepts which are very important for the current socio-economic system. One of them is competition. Though in classical political economy, the economic realm, with competition as its centerpiece, seems to be carrying it over all other fields, today competition appears as the sole immanent category imbuing all aspects of everyday life. In current globalised economic background competition has been extended in fields of education, health, wealth fare and spatial sciences - competition among territorial units (cities, regions or states). There are three particular approaches regarding territorial competitiveness: this which defends it, this (critical) which disputes it and the neutral approach. It is examined if territorial units' competition is a self-reliant concept or a concept which is derivative of firms' competition. Within this context they are presented case-studies of territorial units.

KEY WORDS: competitiveness, territorial unit, firms, international trade, wages

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ACRONYMS

EU: European Union

GDP: Gross Domestic Product

IMF: International Monetary Fund

MS: Member States

UAE: United Arabic Emirates

USA: United States of America

INTRODUCTION

Core theme of this BS Thesis is the examination of Territorial Competition concept and the degree that this is a self-reliant concept or a derivative one of firm's competition. In the first chapter, there is presentation of timeless' evolution and characteristics of economic competition concept in general, including the fields that it is extended nowadays and a proposal for its real limits in the spirit of social economy.

In the second chapter, there are quoted the three major approaches regarding territorial competitiveness concept: this which defends it, this which disputes it and the neutral approach. There are presented the conclusions for territorial competition and it is introduced its extension, territorial attractiveness, based on territorial identity and image. Finally there are examined case studies in order to approach the central issue of our thesis, in real evidence and to verify conclusions drawn from the whole Thesis arguments.

The discussion about territorial competitiveness is rich and consists of both opposite opinions. This issue was selected in order to examine whether there is a direct relationship between space and competition mainly in socioeconomic terms and, also, attempts to examine how misleading the introduction of spatial competitiveness in our understanding of regional and local development could be.

The aim of this Thesis is to study thoroughly the concept of competition in its relationship with space, evaluating existing theoretical propositions. There will be examined the origins of territorial competiveness, its real meaning and usefulness, and the degree that it is a self-reliant concept or it originates from firm competition and it is a derivative concept of it.

This topic was selected in order to participate in the discussion which takes place about territorial competitiveness (started in the late 1970s by business, political and intellectual leaders) and is still going on with many interesting opinions expressed by economists, planners and geographers, exercising influence in decision making.

This research is useful for, first of all, the students who relate with regional development because they have available an attempt for a critical view on territorial competitiveness and its application on decision making and an attempt to clarify these very important concepts with critical view.

Secondly, this thesis has utility for planners, decision makers, institutions responsible for the development of territorial units (state, region or city) since it attempts to prove that thinking and planning in terms of competitiveness does not lead systematically to appropriate economic and social policies on a wide range of issues, domestic and foreign, whether it is in health care or trade.

So, people who will come across this Thesis will have the opportunity to approach the phenomenon of competition, its application in space, the 'real existence or not' of territorial competitiveness and evaluate how useful it is when it is used in terms of development.

In this Thesis competition is examined through the main schools of thought (Classical, Neo-Classical, Keynesian, and Marxist). The most important topic of this Thesis is territorial competitiveness, on which there is much focus regarding both its origins and existence or not and its application as the basis of territorial development and its results and dangers.

During the structure of Thesis there were difficulties regarding exactly the examination of relationship between competition and space which is, also, the core topic and issue of it. There was much problematic and thought with regards to this issue and it is considered that the conclusions which were finally drawn are formulated with kind respect to all the approaches and that they are the result and the continue of the approaches' critical presentation.

CHAPTER 1: COMPETITION

1.1 Introduction

In the modern globalized economy there are some concepts which are very important for the current socio-economic system and obviously for current socioeconomic policy. One of them is competition. Though in classical political economy, the economic realm, with competition as its centrepiece, seems to be carrying it over all other fields, today competition appears as the sole immanent category imbuing all aspects of everyday life. The fields of education, health and wealth fare tend to be explained in the dominant discourse in terms of economic competition.

The basic guidelines and principles of basic schools of economic thought about competition will be presented highlighting that nowadays the concept of competition is expanded more and more and affects many fields in our life. It is, finally, attempted to define the real area where competition can be applicable, as a concept.

1.2 The concept – its origins and characteristics

Competition is the most widespread concept in economic thought and there have been articulated many definitions, opinions and approaches depending on the ideological and political background of each of these. Is a so important principle for dominant economic system –which is based on concepts including competition- that many critics of orthodox theory, such as Marx and Keynes, could not avoid taking a position on it. Competition means different things to different people (McFetridge, 1995). It is one of the most powerful forces in society which makes things better in many sectors of human endeavour (Porter, 2008). Competition, nowadays, relates with many sectors of science. There are more than one concepts not only between the different disciplines and fields that examine competition but, also, in the same discipline.

Competition may exist between two or more individuals or groups, creating competition's diversity depending on its size. It consists a political and social desideratum (McNulty, 1968), not only an economic one but more than this, and results in different values' conflicting. This is a consequence of not having yet achieved (a failure according to McNulty) to define adequately the concept of competition.

As a result of many one the one hand disciplines' and fields' and one the other many school of thought examining competitiveness, there are many different definitions and approaches regarding it. At the most general, and before entering into more specific fields and explanations, competition is believed to be an interaction which arises between two or more individuals or groups when they strive for something that all cannot obtain (Stigler, 1987). These individuals or groups are normally in the same environment and have some common characteristics in order to compete with one another.

Competition has its origin in political economy of classic school of thought. It entered real economy in Adam Smith's work (his most important one) "The wealth of Nations" in 1776. However various economists (Cantillon, Turgot, Steuart) before Smith had defined competition, like he had done, as "the effort of the individual seller to undersell, or the individual buyer to outbid, his rivals in the market place" (Smith, 1776). Moreover for Steuart (1767), the best situation is that in which there is a simultaneous competition between both sellers and buyers, what he defined as the "double competition".

Competition is the basis of capitalism and one of the most important powers that act within it thus without it there cannot exist the capitalist society (Harman, 1969). In other words economic competition or competitiveness could be defined as a comparative concept of the ability and performance of a firm, sub-sector or country to sell and supply goods and/or services in a given market (McFetridge, 1995). Regarding Porter (1990), it arises whenever two or more parties strive for a goal which cannot be shared.

Regarding competition and where it may exist, it would be helpful to consider it in three different levels: firms, industry, nation (McFetridge, 1995). For each level of aggregation there is use of different definitions, measures and indicators. According to McFetridge, competitiveness among firms is the most meaningful concept, while an unprofitable firm is uncompetitive. So, a firm is competitive if it is profitable and maintains or gains market share (Rao and Tang, 2004). During competition process, firms are embedded in inter-firm relationships with networks of suppliers, buyers and even competitors that help them to gain competitive advantages in the sale of its products and services (Porter, 2008).

Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are, firstly, the threat of entry of new competitors, secondly, the threat of substitutes, thirdly, the bargaining power of buyers, fourthly, the bargaining power of suppliers and, finally, the degree of rivalry between existing competitors (Porter, 1990).

Because of firms' ownership of the data, usually competitiveness is measured at the industry or sectoral level. A competitive industry contains interregionally and internationally competitive firms (McFetridge, 1995). National competitiveness will be examined after defining totally the concept of economic competition.

Finally, in current dominant socio-economic system there are concepts in economy that could be competitive, except firm and industry: the price, the product and the wage. According to political economy there are the following definitions (Stigler, 1987). A price can be defined as competitive when it is lower than this, offered by the competitors. A competitive product is this which can be sold in profitable quantities that are based on product's price, quality and buyers' preferences over that offered by the other, competitive products. A competitive wage is given to employees and is generally equal to this which is made to other employees who perform the similar work.

In the following section, competition is examined with regard to each different school of economic thought throughout its timeless evolution. It is thought that this presentation has great importance because each of these schools of thought has its own approach and definition regarding competition and on the other hand because there are interactions and inter-determinations between them timeless in history. These interactions take the form of criticism which is made specifically by radical and unconventional schools of thought to mainstream and orthodox ones, which invented competition as a concept.

1.3 Classical school of thought

Classical school of thought has introduced many of the basic principles of political economy including competition, particularly with Adam Smith (the father of political economy) and his work 'The wealth of Nations' in 1976. But before him authors like Cantillon, Hume and Stewart had introduced first the competition in economic thought as a concept which had, then, 'empirical relevance and operational meaning in terms of contemporary business behaviour' (McNulty, 1968). They had introduced competition in their effort to explain the economic situation through which price in a free market was forced to a level that could only cover costs, that level was the lowest which would be sustainable in long terms.

The way that A. Smith attempted to define competition was the same with these writers, but he gave to it great intellectual and ideological significance. So, competition, regarding Smith and the previous writers, was the 'effort of the individual seller to undersell, or the individual buyer to outbid, his rivals in the marketplace' (Smith, 1976). This is the real meaning of competition for classical school of thought and classicals (Ricardo, Say, Mill) after Smith attempted to improve and explain more the concept of competition. For classicals competition is a market process which is on contrast to neo-classicals who claim that competition is a market structure.

The single activity which is the most important and characteristic of competitive process, regarding Classical school of thought, is the price cutting by a firm for getting rid of excess supplies (Smith, 1776). Furthermore, the analytical function of the competition is the determination of market price. These two concepts become impossible and inapplicable for perfect competition that neo-classicals had introduced. But the differences between these two schools of thought will be examined more detailed later.

So, competition regarding classicals is the force that sets market price to its natural level or to the lowering of profits to a minimum (Smith, 1776). Ricardo (1817), talking about definition of competition as a market process, said that the commodities that classicals are referred to are these that on their production competition 'operates without restraint'.

According to classicals' explanation for competition it had four weaknesses (McNulty, 1968). The first is that they connected competition with exchange but not with production, although economic activity includes both of them. Smith failed to relate competition to production since he wrote only for the 'resource to new divisions of labour and new improvements of art' which were subsidiary aspects of competition's concept that he gave.

The second weakness of classicals' efforts was that they did not relate competition with economic growth. Another weakness is that there has not been explained the minimisation of costs in terms of a competitive firm.

The last weakness is that classicals (and neo-classicals) had ignored or denied competition's interdependent nature. Talking with other words, they ignored the extent to which one firm's competition affects the economic position of other firms and, thus, the whole industrial sector. This situation was a result of the close conceptual connection between competition and both economic rationality and economic freedom.

Classical school of economic thought introduced two important and interesting concepts: the concept of 'homo economius' who is a person that makes only financial calculations and attempts to succeed the most possible wealth with the least possible effort. The other concept – principle is the famous 'laissez faire': in a free market all the capital owners compete for increasing their profit as much as the can. As a result capital and labour are used in the most productive way and the outputs which are produced are these that consumers prefer (Smith, 1776). Because of competition the quality of products is the highest that it can and production cost is, also, the lowest that it is possible. In such a way free market operates like an 'invisible hand' and contributes to the maximisation of both individual's and society's prosperity, resulting in an equal rate of return in equilibrium.

One of the reasons that Smith and classicals dealt with competition without giving a very precise definition was that they considered monopoly as highly exceptional. Smith tried to give competition a co-operative spirit and to create a new type of it – the co-operative competition. This has as basis the principle that 'everyone wins' and that competition is not a 'zero-sum game' (McNulty, 1968). Smith attempted this transition by 'invisible hand' concept and its meaning, where among other concepts people compete to improve the level of their happiness. This can only be achieved by competing in co-operative terms through peaceful exchange (Smith, 1776).

1.4 Neo-classical synthesis

Neo-classical synthesis is a post-war academic movement in economies which absorbs the macro-economic thought of Keynes into the thought of Neoclassicals economists. It contains Neoclassicals, Keynesian and Post-Keynesian schools of thought. The basic representatives of all these schools of economic thought had examined competition and its influence and function in economy. Neoclassical school of thought is separated from Chicago school of thought which, one the one hand, has the main spirit and ideology of neoclassical but, on the other hand, it differs in many and important stages of theory.

1.4.1 Neo-classical school of thought

Neo-classical school of thought has its origins in classical one and began in 1871 by two authors, William Stanley Jevons and Carl Menger with their works 'The Theory of Political Economy' (Jevons, 1871) and 'Principles of Economy' (Menger, 1871). Neo-classical school is stigmatised by the concept of marginal (cost, price, productivity and others), thus it is called in another way 'school of marginal utility'.

Main representative of this school is Alfred Marshall. They supported the principle of "laissez-faire, laissez-passer" avoiding the intervention of state, and they refer more to microeconomics, on contrary to classicals. Another difference between the two schools, in general, is that neo-classicals examined the process of price articulation (which is depended on production cost and products' demand) while classicals examined products' value, which is depended on labour (McNulty, 1968).

This school of thought considered competition as a market structure and introduced the concept of perfect competition. The neoclassical theory is that competition is the interaction of individual economic agents through exchange in pursuit of self interest, be they consumers, workers, or owners of capital (Marshall, 1890).

Regarding Marshall, when perfect competition dominates, products' prices and value of services and production factors are articulated in market free by the combination of total supply and total demand and anyone owner can change them (Marshall, 1890). Perfect competition is a market process which results, by itself, at the free entry of a large number of formerly competing firms. It has evolved to equilibrium where there are the limits of competition's effects (Cournot and Fisher, 1838).

1.4.2 Chicago School of thought

The meaning of competition is that the competing units 'are numerous and act independently', which indicates a close conceptual connection between competition and economic freedom (Knight, 1921). Knight adds that competition is the 'freedom of the individual to deal with ant and all other individuals and to select the best terms as judged by it, among those offered'. So, perfect competition results finally at equilibrium.

Thus, Knight claims that there is not 'presumption of psychological competition, emulation, or rivalry' in the perfect competition and that it involves in better terms the concept of 'atomism'. For him, there is perfect competition when a large number of non-competing firms exists forever. Knight, finally, claims that perfect competition results, also, at rational behaviour on the section of buyers and sellers, full knowledge of market, absence of frictions, perfect mobility and perfect divisibility of factors of production and completely static conditions.

Regarding Stigler market and competition are two separate concepts and any merging of these was unfortunate. Competition is believed to be an interaction which arises between two or more individuals or groups when they strive for something that all cannot obtain (Stigler, 1987). Finally, he admitted that the concept of perfect competition has been defined very rigorously: perfect competition exist only when i.there is a large number of firms which supply products, ii.products are homogeneous and iii.existing firms can stop the production while new ones can enter in the production. So there are many individuals who demand and many firms who supply (Stigler, 1987) and market is free from monopolies that could set the price of products. These are the characteristics of the type of market that is called perfect competition. The other types of competition and of market are examined later.

1.4.3 Keynesian School of thought

Keynesian theory defines in a satisfactory way the function of current economic system and it is based on the neo-classical theory but with the big difference that laissez-faire is not in order: Keynes claims that the intervention of state is necessary in order to repair and fix the negative effects of free market (Keynes, 1926). He took many principles of neo-classical school but he avoided others like microeconomics and theory of price articulation and income distribution. The core issues of Keynesian theory are the determinant factors of income and employment.

So, in spite of state intervention the price of products is articulated by the law of supply – demand (Keynes, 1926). In addition there is improvement of products' quality through competition. Because of focusing on macro-economic theory Keynesianism did not deal much with competition, on contrast to Post-Keynesian economists who had expressed many approaches about it.

1.4.4 Post-Keynesian school of thought

This school of economic thought has its origins in Keynesian theory, although its later evolution was influenced by economists like Michal Kalecki, Joan Robinson and Paul Davidson. Post-Keynesians remained very close to Keynes' theory particularly in monetary policy, but refused the neutrality of money (Skidelsky, 1992).

According to Post-Keynesian school of thought perfect competition is a state of affairs in which 'the demand for the output of an individual seller is perfectly elastic' (Robinson, 1933). A situation in which an individual seller is not able to affect price and a seller himself cannot make more than normal profit rates are two situations very closed to perfect competition. Chamberlin (1933) distinguishes two types of competition: pure, where the demand for the output is perfectly elastic and perfect, where it may be required to shape the conditions of 'an ideal fluidity or mobility of factors' (Robinson, 193).

The conditions which can promote the situation of perfect competition are two: the market must be perfect and the number of firms must be large. The second condition means that 'the number of the firms selling within the market is such that when any one firm alters its price there is no consequent alteration in the prices charged by the others' (Robinson, 1933). Krugman (1991b) admitted that these conditions cannot co-exist, but perfect competition is a concept which helps and contributes in a useful way to economic analysis and theory.

Regarding Robinson (1933) the main vehicles for competition are the imitation of products, the differentiation of products, the advertisement, lower price and others. Finally, she claims that in a situation of imperfect competition characterized by highly differentiated products, the level of profits is generally higher than in perfect competition. Imperfect competition is the situation of market that the conditions for perfect competition are not satisfied (Robinson, 1933). So, according to the classical and neo-classical school of thought, in the situation of perfect competition the forces of market would result in equity and convergence. But in the situation of imperfect competition which is a fact, it is not possible and so there must be interventions of policy which will make efforts to improve the whole situation.

Perfect competition demands constant economies of scale, a situation which is not possible because there many small enterprises everywhere (Krugman, 1991b) resulting in increasing returns and so only imperfect competition exists. The factor of mobility is not perfect and mainly for people who have close relationships with the place of their birth and living (housing, family, social ties).

1.4.5 Theory of games

In the middle of last century, John Nash, a mathematician, appeared and attempted to change all the route of since then economic thought and specifically Adam Smith's approach regarding economic structure and competition. Nash claimed that whole economic structure and process has to make with a game between firms and players who negotiate, agree for a specific price, and finally co-operate in order to succeed an equilibrium point (which involves all the good strategies of the players), an n-tuple such 'that each player's mixed strategy maximizes his utility, if the strategies of the others are held fixed', and where each player's strategy 'is optimal against those of the others' (Nash, 1951).

Nash (1950) claimed that companies price strategically (with pure or mixed strategies) in order to collaborate for mutual benefit. During this co-operation no action which is taken by the individuals without the consent of the other can influence the well-being of the other one. The whole procedure does not exclude cases which involve agreements regarding who is to gain in the end (Nash, 1950). So, players of the game agree, before the game begins, to a solution where each of them gets the same money profit. Nash described a situation that it is all agreed before the game begins, a situation without competition, either in co-operative or non co-operative games.

These situations are called games if they are studied from an abstract mathematical viewpoint. The alternatives, among which players must choose and are treated as abstract objects without special qualities, are called 'strategies' (Nash, 1953). Every point of independent each player's strategies corresponds to a joint policy (Nash 1949). In addition, there is structured a threat-process in negotiations where one player threats the other. The word co-operative is used because 'the two individuals are supposed to be able to discuss the situation and agree on a rational joint plan of action, an agreement that should be assumed to be enforceable' (Nash, 1953).

Finally, Nash (1951) described a situation where one proceeds by 'constructing a model of the pre-play negotiation so that the steps of negotiation become moves in a larger non co-operative game'. Non co-operative game may, usually, be the result of a co-operative game. In other terms, this approach gives the opportunity to study in what extent actors with different preferences accepted to cooperate (instead of being in competition) and under which prerogatives they will take risks in order to obtain common outcome, taking into account the dilemma between safety and social cooperation

1.4.6 From perfect to imperfect competition

Since perfect competition cannot exist (Krugman, 1991b), there is need to examine the situations of market which refers to imperfect competition:

Monopoly is this situation that only one firm or owner supplies a product, for which there are not substitutes or they are imperfect (Robinson, 1933). In oligopoly an output or some differentiated are produced by a few firms. Monopolistic competition is the situation of market where many firms produce commodities which are in the same category, but they differ from one another regarding particular characteristics, so they are called differentiated products (McNulty, 1968).

1.5 Marxist school of thought

The Marxist definition with regards to competition is that it is a major economic motive for accumulating capital and consequently for carrying out the most of the economic operations which capitalists execute (Marx, 1858). Competition among producers arises from competition between capital and labour (Marx, 1844). Competition takes place through market's mechanism (Bowles et. al, 1985). Competition refers mainly to economic relationships where the most important thing is exchange.

According to Mandel (1975) "competition between rival owners of means of production that forces each to try and resist the inroads of the other by continually expanding the means of production". Its function is very important in order capitalist society to work appropriately: The competition ensures that each capitalist firm continuously reduces necessary labour through a specific mechanism. Through competition's process each owner attempts to undercut all others and increase his market share by lowering costs.

Marx took a critical position on Smith's opinion regarding competition that it results at capital's and wages' increasing and so profit's decline because he claimed that competition can exist only if capital increases and it owns in a few hands. The necessary beginning of Marx's thought is that competition can create capital's increase if only it is a result of accumulation (Marx, 1844). Thus capital derives from accumulation. So, competition among capital owners increases capitals' accumulation. This physical slope of capital can be shaped only through competition (Marx, 1858). Furthermore, Marx pretended that big capital increases much faster than small one.

Regarding competition process the owner of one of them attempts to take the place which is exploited by another capital owner. Usually, the first owner hopes to discard the second one after negotiating with him in logical terms (Marx, 1844). Competition is the force which allows but also obligates a firm to increase its capital, to try to get more profits and to improve its technology (by innovation and research) and to increase labour productivity in order not to be extinguished by its competitors. The capital owner is obligated (in order to survive) to increase his capital. But he cannot do this without capital's accumulation (Marx, 1858).

As a consequence of this whole procedure, the products are compounded, in the attempt of small owners to survive in this background of increased competition. Competition favours those enterprises which are technologically ahead (the role of innovation is major), so these enterprises realise much higher than average profit rate (Marx, 1858).

Thus, Marx had claimed (1858) that competition among capitalists would grow in such a degree that, eventually, most capital owners would go bankrupt, leaving only few owners controlling nearly all production in a situation of monopoly. This, to Marx, was one of the contradictions of capitalism: competition, instead of creating better products at lower prices for consumers, in long terms creates products of worse quality and a situation of monopoly which exploits workers and consumers (Marx, 1844). Competition, through this procedure in capitalism, leads inevitably to monopoly.

There are many concepts that competition puts under pressure since it compels capital owners to introduce labour-saving machinery. The pressure for innovation is increased because of profit rate falls by introduction of labour-saving machinery. As a result, at the end production will become unprofitable. So, much labour will be displaced that the working class will not have enough income to buy what is produced. So there is a crisis of "overproduction" (Marx, 1858). The whole process of competition results, also, at the alienation between labour and product and between producer and product.

Attempting to address the question of who compete, Marx claimed that capital owners compete with each other to make the most profit, but and the workers and capitalists compete over who gets what share of the wealth created by the working class (Marx, 1844). Finally, there is a restriction regarding an owner's actions and profits through competition with other owners because each of them looks for ways of influence and improvement of profit rates factors (Bowles et. al 1985). According to Marxist school of thought, competition is a zero-sum game, where there are big and few winners and many and big losers.

The most important thing in Marxist theory is that at a certain point, the sharpening of competition, which is the basis of free market and capitalism, brings with it capital accumulation, a concentration of enterprises and a reduction in the number of enterprises (Marx, 1844).

1.6 Regulation School of thought

Competition is a process of unification of the capitalist class (Aglietta, 1979), but not enough in itself to complete is. So, there is need for structural forms, specifically the company one. Full competition is characterised by the exchange-value of the sum total commodities which is divided between the different branches in such a way that the total capital invested in each branch yields a rate of profit equal to the general rate.

As a result, a system of exchange relations exist, which is stable, and so labour division remains unchanged. Also, full competition is an external economic link between capitals that are already autonomous and have been organised into companies with independent proprietary controls. Also, centralisation of capital is a violent form of competition (Aglietta, 1979)

Competition takes on any meaning in the process which transforms the social conditions of production. "Processes like this are initiated by capitals which find themselves in a position to create conditions of production that are exceptionally favourable in relation to those that are socially dominant". So, competition would be a static phenomenon of equilibrium if there were not the norms of production and exchange which are in course of transformation and make competition a dynamic process.

According to Aglietta all prices are exchange values while production ones are regulating the transformation of the conditions of production. Through the rule of accumulation, competition is the mechanism – function of relations which regulates the prices of production in order to be bound up with the general rate of profit. This is the reason that the norms of production and exchange involve a "law" of distribution of the overall profit in way that a normal profit for each branch is ensured. This normal profit is capable to give a rate of profit "in line" with the general profit rate, when related to the productive capital which is invested in the prevailing social conditions of production.

In periods of structural economic changes competition is still regulating prices of production in the same way but the norms of production embody relations of asymmetric influence deriving from capital's centralisation. Then, price systems are created matching the different forms of competition compatible with a structural and permanent differentiation of profit rates and tend to articulate uneven distribution of total profit. Then, social demand for different types of commodities is converged with competition's asymmetric relations. This is the reason that incomes' hierarchical stratification, which is based on the upper differentiations within the wage-earning class, is a necessary component of what is called as monopolistic competition (opposed to full competition).

The real problem, which according to Aglietta cannot be solved in either classical or neo-classical approach, is to show more detailed the precise ways in which "the continuous transformation of the norms of production and exchange is possible without the separate economic units being deprived of any social reference for regulating their behaviour". So, there is need to disclose the theoretical significance of the monetary form of price and surplus profit.

'Monopoly power' is the effect of the sum total of social structures on economic adjustments. This effect, regarding Aglietta, could be named as 'monopolistic regulation' and this is an important characteristic of monopolistic competition and this which distinguishes it from full one. Monopolistic competition which was above described is different type from this that defined by reference to general equilibrium in opposition to pure or perfect competition.

The formation of competition which has as basic characteristic the regime of intensive accumulation is called stratified oligopoly, where a few giant companies – corporations consolidate their positions and stabilise their external relations. This is succeeded by interconnecting the investments that they do in the different economic lines within the field of diversification. Stratified oligopoly extends to all types and forms of commodities which include 'the social norm of consumption'. This type of competition is closely bound up with the development of social norm of consumption (Aglietta, 1979).

In a situation of stratified oligopoly the relations of competition between firms are characterised by the concept of barriers to entry. "Barriers exist to entry into a field of commodity production if capitals outside this field that try to invest in it and establish a new valorisation cycle experience conditions that set them at a disadvantage in relation to capitals already established" (Aglietta, 1979).

1.7 Competition's current spread in all aspects of everyday life

Competition is a concept which is a fundamental principle of human society before the middle of 18th century that Mercantilists and Adam Smith introduced it in economic theory and before capitalism. It appeared between the armies in the big wars of ancient era and between societies competing with each other (e.g. Rome and Carthage, Venice and Byzantium).

According to Porter (2008), the theory that competition is one of most powerful forces for making things better is truer nowadays than it had never been before, because competition has appeared in almost every aspect of our life. Competition appeared as a real concept in economic theory and thought but today it has infiltrated in all the fields of everyday life, including education, health, arts, wealth fare, geography, politics and others (Porter, 1990).

These fields tend to be explained in the dominant socio-economic thought, with the concept of competition which introduces the individuals or groups in a race with losers and winners (Krugman, 1994). So, the concept of competition may have started from economic theory but today it is expanded more and more and affects many fields in our life. In this timeless procedure there was a transition from the competition between firms, prices and industries to competition between students, athletes, politicians, doctors, artists and territorial units. The last case of competition is in the core of this thesis and it is examined particularly in the next sections.

In the field of sports the most of them are considered competitive with some exceptions of recreational ones. The individual and team sports involve competition among individual athletes or teams in order to win (Musch and Grondin, 2001). In many cases they are not only the individual athletes who compete each other but also human competing nature like kayak or tracking in mountains. The most of the competitive sports are professional ones. In some cases there is competition among unequal small ages which hurt smaller youths a lot (Musch and Grondin, 2001). Competitive sports have many negative effects on human health either with high psychological pressure or with the anabolic drugs which are given to athletes resulting at destroying their health and in many cases at their death (Cutlin and Murray, 1996). On contrary amateur sports are not competitive. The most of them are also recreational sports, which are a healthy way for avoiding all the competitive sense of our everyday life.

Competition has been introduced in high rate in education. In education there are two types of competition: between students and between educational organisations (Dunlop, 1976). Competition among educational organisations is introduced in order to succeed a better educational environment and to improve education in schools and universities. Competitiveness is encouraged among students in order to obtain a scholarship and has made educational programs and procedure much better (Ladner and Brouillette, 2000). But competition among students is not always in favour of them because it puts them in a 'war' among them (Tomlinson, 2001) and puts them under much psychological press (Poterba, 1997).

A widespread case of competition is this in politics and particularly in elections' procedure, between political parties and politicians. In current political system of civil democracy, where rate of politicisation is very low and politics are secularised, an election is a competition for an elected office. As a result, the candidates compete against each other in order to win a position of power, in order to become more powerful (Grossman and Helpman, 1996). The winner between the candidates gains the position of power for a period of time.

Except economic science many other fields have examined competition and have presented much evidence about it. In biology, which is one of these fields, competition among species is thought to be an important principle. They compete for a place in an ecosystem or for a place to be reproduced. Competition is very important for biology because it is the basic force for natural selection and evolution (Cage and Morrow, 2003). Other sciences which examine competition are psychology, sociology and anthropology.

1.8 The real limits of competition

Observing this situation, someone must normally wonder how meaningful and useful its use in all these fields is. Today, all are talking and aiming at competitiveness: economists, politicians, planners. The result of this situation is not certainly society's wealth and prosperity. Regarding the last two decades, since competitiveness had spread so much, it is thought that society's and people's situation has worsened until even today during economic crisis. Many questions regarding the reasons and the importance for competition's introduction to all these fields are logical in people's thought. The important and crucial answer must address the issue of competition's real limits and in which fields is competition useful to be introduced.

A more democratic and fair function and structure of society with much more equity would have much less competition than nowadays, regarding its general use. It would have less competition, compared to nowadays, and much more co-operation. This is exactly the object of Social Economy approach. It is a concept which has been given several names (alternative economy, corporation democracy, solidarity economy, tertiary economy, third sector and social economy of market), it involves socio-economic initiatives that are not neither in the public sector nor in the private one and it has its origins in the beginning of 19th century and in many schools of economic thought (Mitrosili, 2007). Social economy attempts to balance in political level the market forces and workers' social protection (Jeantet, 2006).

The basic principles of social economy are: free participation, democracy -one person, one vote-, fair distribution of surplus, the indivisibility of the same capital, solidarity, the primacy of individual, independence of state and each public collegiate (Xrusakis et al., 2002). According to Business School of Harvard a social enterprise is "any kind of enterprise and undertaking, encompassed by non-profit organizations, for profit companies or public sector businesses engaged in activities of significant social purpose» (Social Enterprise Knowledge Network, 2001).

In this way that was described above and by following the principles of social economy, people, individuals, students and firms would compete less and co-operate more in a very useful, for society, way. In the ideal type of society competition would not exist and all the 'players' would co-operate instead of compete. It is thought that this (ideal type of) society would be better for all people.

Regarding the real limits of competition, it is thought that in both types of societies, either current or ideal, must decline in a high rate. Competition in all these fields that were presented above is meaningless and useless. So, it is thought that competition must be removed from fields like education, sports, health and others and co-operation must dominate. According to economic field, competition cannot vanish at all, but co-operation and its spirit and principles must be promoted more.

1.9 From competition to territorial competitiveness

As it was presented competitiveness is one of the most important concepts and principles in economic science and policy for almost all the schools of thought, even these which dispute dominant socio-economic system but they criticise in a high rate competitiveness concept. Competition was examined as it concerns its origins and characteristics the definition and explanation about its function that each school of thought gives.

The concept has been so enlarged, nowadays, that it has extended its application to much more fields except economy. In an effort for a fairer function and structure of a global society with less social and spatial inequalities, it was attempted to define competitiveness' real limits. In this type of society the lack of competition, a concept which will be reduced, will be satisfied by high rate of cooperation, a more efficient and productive way for acting.

One of the fields that competitiveness concept has been introduced and used very usually, mainly in 15 last years, is the field of space, by the formulation of territorial competitiveness concept. So, below there will be a whole presentation and examination of one this concept with regards to its advantages and disadvantages and all the approaches for it. There is a focus on territorial competitiveness because it is considered to be itself a field of research.

CHAPTER 2: TERRITORIAL COMPETITIVENESS CONCEPT

2.1 New globalised environment

The period after 1980s until nowadays is considered to be characterised by the transition from local-placed economic systems to a globalised economy, with -almost totally- integrated smaller economic systems, which has new and different characteristics from previous. There are many approaches in favour of globalised economy which argue that international economics hold that releasing trade and capital flows, in an integrated world economy without borders, leads to a more efficient allocation of world's scarce resources (Kapstein, 2000: 362). This economy model generates greater output and consumption compared to protectionism.

Local economic systems' integration is achieved through financial and labour mobility, free trade, foreign direct investment, capital flows, migration and spread of technology and innovation. Globalisation is defined as a more intensive internationalisation of economic activities (Hall, 1993; Gordon, 1999).

On contrary Castells (1993) and Sassen (1996) assert that globalisation actually means something deeper than internationalisation. Globalisation, according to them, is related to an economy that works as a single unit at a global scale. It is an economy where capital and financial flows, labour and community markets, information, management and organisation are not only globalised but they are fully interdependent throughout world.

So, worldwide 24-hour trading day exists in order to ensure that changes originating in one part of global system are rapidly diffused to others. However, the most important issue is that all these changes do not take place everywhere in the same way and at same rate (Arvanitidis and Petrakos 2005). Each place, depending on its special characteristics and initial conditions, has different rate, way and speed of implementing changes in transition to global economy and thus in its development. As it can be realised current economy in its every aspect is characterised totally by globalisation concept. So, its examination, in both economic and political terms, is considered to be necessary.

Globalised background

Globalisation, in economic terms, is characterised by increasing complexity and density of global supply chains, internationalisation of finance by opening national borders and, mainly, high accumulation of wealth in large multinational corporations and elites who benefit from them. These important changes have been processed by national policies which support and are promoted by dominant school of thought, neoliberalism, in a relationship of interaction and inter-determination (Harvey, 2001).

So, dominant school of thought, which introduced the concept of globalisation, is neoliberal one. The spirit and general aspects of this approach are examined above. The focus on marketplace freedoms emphasised the rights of firms to engage in free trade, to hire workers without interference from unions, and to conduct business without burdensome government regulations and taxes (Harvey, 2005). Under neoliberal policies the poor were considered to be helped not by welfare and labour policies but instead by increased investment in high-technology jobs that would result in higher productivity and wages.

In political terms, globalisation involves weakening of capacity of a nation-state to direct and organise its economy. Previously important forms of identity, such as working class, have been reconfigured, in social perspective. Globalisation as a concept aims at reducing and weakening all these structures that put obstacles for full trade liberalisation in order to product more profit (Kitson, Martin and Tyler, 2004). But there is discussion regarding the way that each territory reacts to globalisation, depending on its special characteristics. So, particular character of individual localities interacts with this large-scale general process of change to produce quite specific outcomes (Amin and Thrift, 1994).

Unequal development

It is a fact that since 1990 there has been a decline in inequalities between states, so in high level of administration and structure. This reduce in global inequalities, which is attributable largely to growth of newly industrialising Asian economies, has been indicated in the same period that conditions have worsened in some other parts of world (Castells, 1993). Furthermore, inequalities between regions and even between many countries have increased. Following and implementing neoliberal policies, rich (territories, corporations and individuals) have become richer and poor have become poorer (Harvey, 2005). So, spatial and social inequalities remain high and, in many cases, increased.

Taking account an economic integration, such EU, neoliberal theory, taking into consideration many assumptions, predicted convergence in growth rates on the basis that poor economies will grow faster compared to rich ones (Solow, 1956). However, from Maastricht Treaty in 1992, regional inequalities have not decreased. On the contrary they have increased.

Concluding, regarding current period, there seems to be convergence among MS, whereas there seems to be divergence among NUTS III regions. Going over EU's route and process we think that divergence tendencies were dominant, a progress which partly is due to space and its characteristics.

2.2 Space as determinant factor. 'Space is not flat and neutral'

Space, the earth is this essential component of human world society structure that influences in a high degree, by its characteristics and itself as a concept, all the social groups, social activities and social dimensions. Space creates social situations, both negative and positives and determines administration and its structure (Harvey, 1982). Limits and borders are shaped on it. Social and economic activities take place on space, cities and settlements are built on it. So, many questions regarding the 'where' of activity and the 'why' of price are under discussion. Location of activities, people and settlements is one of the most important issues that occupy scientific, political and economic community (Derruau, 1976).

People have always made great efforts to be adjusted in space and its characteristics (physical and man-made). When a kind of life dominates, it tends to expand its geographical space (Derruau, 1976). Distribution of human phenomena is not unrelated with local components. On space, also, people, capital and products are moving and change location for permanent or temporary period, while geographical distance puts obstacles to this moving. Thus, relationship between people, between human groups influences space and space influences them.

Economic and human geography studies the use and understanding of space and the process which affects this. It focuses on problems and issues with regards to human activity focusing on physical landscape with which human activities take place (Robinson and Eatwell, 1973). Space also plays a major role in the structure of distribution of languages, religions, people and states. Space and its relationship with economic activity is so important that a whole discipline of geography (economic geography) studies and examines the location and distribution of economic activities (Holland 1976).

So, geographical position refers to the place that a territory, an economic activity, a social group or a settlement has regarding big geographical groups which determine the necessary functions. Concluding, space and its characteristics influence in a high rate standard and way of living, location of all activities and distribution of population. As a result the science of geography and particularly human and economic geography seek to contribute to the 'technics and mechanics of urban, regional and environmental management' (Harvey, 2001).

There is need to examine the reason why space influences all the aspects of current society (as it was presented above) and why it influences in a different way. The answer is considered to be that geographical space is not equable, is not flat and has different characteristics (Derruau, 1976). In contrast to Friedman's view (2005) that world is flat due to globalisation and financialisation (Aronica and Ramdoo, 2008), after his visit at 'Indian Silicon Valley' in 2004, the majority of geographers, economists and planners claim that world is not flat, and it has different characteristics, different levels of development and different speed of growth (Krugman, 1998b). The dramatically uneven distribution of economic activity across space is partly due to space and its characteristics like position, physical characteristics, settlements-agglomerations, networks and infrastructures (Harvey, 2001).

The final result of this entire situation, mainly in the internal process of science was to introduce the space, its role and its characteristics in the examination of economic and social procedure because of the admission that there imperfect competition is not impossible. So, after 1990 a new approach, the New Economic Geography was introduced a style of economic as the analysis 'which tries to explain the spatial structure of the economy using certain technical tricks to produce models in which there are increasing returns and markets are characterised by imperfect competition' (Krugman, 1998b).

As it was ascertained above, spatial and social inequalities, particularly among regions, have increased. Also, divergence in integrated socio-economic systems is due to space and its characteristics. So, there is need to be examined the relationship and interaction or no between social and economic phenomena with space and its characteristics. One of the topics which are under discussion, nowadays, regards to whether spatial inequalities are due to the reflection of social ones to space or they are a self-reliant concept.

It is considered that this issue is not as important as the existence of spatial inequalities, the examination of the reasons and the factors that caused them and, mainly, the creation of policies, approaches and actions which face them and promote convergence. This topic is involved in the principle and admission that all the social phenomena reflect to the space and space influences all the social phenomena (Krugman, 1991). According to this principle there is a direct and indirect relationship, interaction and inter-determination between social and economic phenomena with space. Thus, it is a fact that spatial and territorial organisations (like cities or regions) have a major role in an economy composed of a system of cities and towns (Henderson, 1988) and it is necessary to examine 'the location of production in space' and its factors (Krugman, 1991a).

2.3 Factors of economic activity location

After describing the characteristics of space and its relationship with socio-economic phenomena, it would be very interesting to examine the procedure of economic activity location and particularly the factors that determine its choice, because it will help for understanding how firms locate and move in space – a process which affects competition between them and contributes to have a better approach to territorial competitiveness concept. Moreover, economic activity location is the procedure that creates capital accumulation to some regions of this globalised socio-economic system (Aglietta, 1979).

Economic activity location is a social procedure and the result of productive means owners' decision and it cannot be predicted in theoretical basis. But there can be presented some of the most important factors that the owner of productive means has in his mind when he decides firm location. They may differ from a place to another, exactly due to different characteristics space in each region or place, or by an economic sector-field to another, but in general there are some very important factors which are valid in the majority of sectors and places (Holland, 1976).

The first who introduced the theory of firm location is Weber who formulated the theory of cost minimisation and mentioned as main factors the minimisation of transportation cost, the minimisation of labour cost and the agglomeration economies (Weber, 1929). Classical school of thought describing the progress of firm location did not succeed to embody factors more than spatial. Lösch and Hotteling in the middle of 20th century approached the phenomenon formulating spatial models of economic distribution (Krugman, 1991a).

The variety of factors can be external or internal. External are these factors which origin is independent of the examined region and internal are these ones which origin is due to examined region and they relate with its general characteristics (Polyzos and Petrakos, 2001). Each of factors is accompanied by examination of how much local authorities of territories can intervene to this (a principle which has major role to the existence of territorial competitiveness as a self-reliant concept or not). After research over bibliography there were found almost 20 factors of economic activity location. Among these factors, it is considered that the most important of them are:

A. Labour Cost: A. Friedman in 1977 like Perrons (1979), Bluestone and Harrison (1980) and Storper and Walker (1984) claimed that firm location is connected directly to its employees and their cost, i.e. labour cost (Labrianidis, 2000). It is considered that factor of labour cost is the most important in the majority of productive fields. Territorial and local authorities cannot intervene in the rate of wages, because they are determined usually in national level.

B. Transportation cost: this factor is extremely important because it has a high rate in the final formation of total cost. Direct transportation and trading of products (both inputs and outputs) is very important for the location of firm either near a market (when it is market oriented) or near resources (when it is resource oriented) (Pike A., Rodriguez-Pose A. and Tomaney T., 2006). It involves region's position I n the transportation and communication networks, so it is close connected with existence or no and quality of infrastructure. Transportation cost is depended on infrastructures (mainly a central political decision and not a regional one) and unit cost (decided, also, at national level).

C. Raw materials reserve / proximity to energy / natural environment: Traditionally, one of the core factors for firm location has been the quality and quantity of natural landscape and environment. It involves touristic resources, rate of available agricultural areas, rate of forest area, rate of energy resources and rate of pollution of natural environment (Polyzos and Petrakos, 2001). It is a physical heritage so it cannot change dramatically either with national decisions or with regional ones.

D. State policy and interventions: This factor involves the investment intensives that a state provides and the laws referring to business, firms and their development. The desire for parallel interventions except development and regional policy, results in formatting different intensives zones depending on regional inequalities and each region's geographical position (Kottis, 1980). It is obvious that this factor is determined in state level.

E. Human capital: The success and the competitiveness of firms depend partly on quality and proximity of local workforce (Funck, 2000). The higher the educational level of local population is, the better is ensured that will be the use of productive means (D' Arcy and Keogh, 1998). This is a factor that does not depend directly to state or regional decisions, but both of them can intervene for its improvement.

F. Infrastructure: It is a very important factor regarding both its quality and quantity. Effective infrastructure can reduce transportation costs and can contribute to direct proximity in new and potential markets and to make easier the distribution of local and regional products (Turok, 2004). This factor's determination is depended on the administration and control funding of each state (centralised or decentralised).

G. Local taxes and subsidies: It widely considered that low local taxes (where administrative system is appropriate) and subsidies' distribution can affect greatly the final decision of productive means' owner regarding location (Funck, 2000). As it is obvious its determination, also, depends on the administration of each state (centralised or decentralised).

H. Accessibility: This factor regards to how much and how easy the region, that is considered to be the location choice, offers accessibility to customers, suppliers and markets (national or international) and is one of the three most important according to Begg (1999). This factor is determined by region itself but many times it is a physical result of whole national and international economic activity and procedure.

These are considered to be the eight most important factors of firm location. Other factors of location firms which are considered to be less important are: geographic situation, topographic specifications, intensity and diversity of cultural activities, rent rate, presence of universities – research centres (Metaxas, 2004 and Turok 2005).

Firms' location factors are examined because the process of firms' location and movement in space affects competition between them and contributes to have a better approach and understanding regarding territorial competitiveness concept. The issue that is set regards to level and rate of possible intervention: a firm owner in order to have a competitive firm can intervene in the interior of firm and make the desirable changes. On the other hand, if a territory's authorities cannot intervene and change factors, connected with space and local economic system which is a territory (Garafoli, 2002), in order to make their territory competitive, the concept of territorial competitiveness is under controversy. The level of possible intervention depends on the way that decisions are made and the territory is administrated. Talking in other words, it is depended on the rate of centralisation or decentralisation of a state and the way that decisions making takes place. But this issue is going to be examined below after the presentation of approaches referring to territorial competitiveness concept.

2.4 Approaches regarding territorial competitiveness

There have been presented the concept of competition in general, its fields of application, current economic situation, the space and its characteristics and the factors of firm location. So, there has been presented the essential and suitable framework in order to be introduced the main concept of this BS Thesis, the territorial competitiveness.

Regarding this concept there are three main approaches: the first which has introduced the concept in regional science and of course defends its existence as self-reliant concept. The second approach, which is considered to be the most right and it will be supported, claims that territorial competitiveness is a fuzzy, meaningless and useless concept and put its existence under controversy, arguing that the defenders (first approach) have created this concept as a derivative one of firms' competitiveness. The third and last approach criticises territorial competitiveness and particularly the way that it is used nowadays and keeps a neutral position regarding territorial competitiveness concept as a concept.

2.4.1 Territorial Competitiveness: the defenders

Throughout timeless evolution of economic geography, mainly during 15 last years, a particular approach, defended by many writers, has introduced the concept of territorial competitiveness, meaning competition procedure which takes place among territories, i.e. states, regions or cities. In this section there will be a critical presentation of this approach regarding definitions, general aspects, factors and indicators of territorial competitiveness and its function as basis of territorial development.

Definitions

The concept of territorial competitiveness has been so far defined in terms of economic basis and productivity, of territories governance and policies and territory's characteristics. It was introduced by Porter in 1990 when it was defined in national level, i.e. in competition which takes place among states globally. There have been formulated many definitions regarding territorial competitiveness by its defenders in national, regional and urban level having their core in economic basis and productivity, governance and characteristics and they are presented below.

In terms of economic basis and productivity:

> The degree to which territories (nations, regions or cities) can produce goods and services which meet the test of the wider regional, national and international markets, while simultaneously increasing real incomes, improving the quality of life for citizens and promoting development in a way which is sustainable
>
> (Lever and Turok, 1999)

In terms of governance:

> The process through which groups, acting on behalf of territorial economy, seek to promote it as a location for economic activities, either implicitly or explicitly, in competition with other places
>
> (Cheshire and Gordon, 1996)

In terms of territorial units' characteristics:

> The ability of a territory to exploit or create comparative advantage and thereby to generate high and sustainable economic growth relative to its competitors
>
> (D' Arcy and Keogh, 1999)

All the other definitions have been made in almost the same way but relating in each case with the most important factor that the view considers. A very important fact that has to be given great attention and that even its defenders admit is that territorial competitiveness is a difficult notion to define and measure because it is multifaceted and not directly observable (Turok, 2005). As a result territorial competitiveness is simply equated with economic position in relation to other territories or to economic performance.

According to Turok (2004) there has been a pervasive notion of territorial competitiveness after 1993, making it clear that it is not the same with economic performance and that it is not an end itself but more an indication of the drivers and dynamics of economic success. However, it is considered that throughout examination of this approach which defends territorial competitiveness has been indicated that economic performance is indentified and confused with territorial competitiveness. In a more synthetic opinion, Gordon (1999) claims that territorial competitiveness is the test of economic performance.

Storper defines territorial competitiveness as the ability of a territorial unit's economy "to attract and maintain firms with stable or rising market shares in an activity while maintaining or increasing standards of living for those who participate in it" (Storper, 1997). Maybe the first definition regarding competition among states was made by Balassa in 1964: "a state has become more or less competitive if, as a result of cost-and-price-developments of other factors, its ability to sell on foreign and domestic markets has improved or deteriorated' (Balassa, 1964). So, she defined territorial competitiveness in terms of international trade, in a period that was very different from current globalised economy. Competition is a zero-sum game; it has winners and losers (Cheshire, 1999). However, international and free trade is not a zero-sum game, but a positive-sum one because all the participants have small or big benefits (Cellini, Soci, 2002). In this environment of free trade the territories cannot compete, but the firms do (Poot, 2000). So, with kindly respect to this approach, it is considered that there may be a first problem regarding territorial competitiveness concept.

Begg claims that territorial units compete against each other because they are collection assets. The concept is used by two ways a fact that ensures the questions and doubts about it and its use. The first is that it is equated, usually unsuccessfully, with territorial unit's economic performance. So, it is considered that there is another problem because when a territorial unit does better than another it is directly connected and equated with territorial competitiveness. Secondly, it 'implies a comparative element, with the implication that to be competitive, a city has to undercut its rivals or offer better value-for-money' (Begg, 1999). In addition, territorial competitiveness, which is the 'path of nirvana', has been affected by globalisation, mainly by opening borders and making easier the moving of mobile factors.

According to Metaxas (2004), in an effort to combine many views which defend territorial competitiveness but having in core different principles, territorial competitiveness is:

> The capacity of a region to evaluate, to reclaim and develop effectively the potential of its internal and external environment aiming at production of competitive products and productive policies, ensuring its adjustment in changing conditions of international markets, the formation of high level standard of living of citizens, the effective development of bidirectional relationship between region and city, its participation in

co-coordinating network and the maintenance of its competitive profile for a long period

(Metaxas, 2004)

Porter introduced the concept in new era, new territorial competitiveness concept in 1990 with his work and views with regards to competition which takes place among nations and states. His opinion about territorial competitiveness was expressed as 'the aggregate of the competitiveness of firms of the territory with competitiveness essentially the same to productivity' (Porter, 1990). He thinks that the only meaningful concept of territorial competitiveness is productivity of one territory. According to Porter these two concepts are equated, they are the same thing. Porter claims that, timeless, the principal goal of a state is to produce high level of living conditions. However, this has not been indicated to be a fact yet (Harvey, 2005). The upper ability depends on productivity of capital and labour, i.e. standard of living is proportional to capitals' and labour's productivity which is the value of output produced by a unit of labour and capital. In addition, Boltho (1996) claimed that territorial competitiveness is the same with the exchange rate.

Regarding another opinion, Maneval (2000) defines territorial competition as the market process by which 'economic activities are employed factors of production are allocated through time among the territorial units'. In other words, it is the way, in quality and quantity terms, by which the Gross National Product is distributed among regions or cities of a city in national level or globally the way that the whole world product is distributed among the states. So, it is possible to measure territorial competitiveness with territorial unit's share of gross product. In a less confrontational definition Buhr and Friedrich claim that a competitive territory consists of a group of 'neighbouring economic units whose relations with each other are less conflicting that their relations with economic units of other regions' (Buhr and Friedrich, 1978).

Territorial competitiveness is so important for states and organisations like EU that they have established commissions and councils which analyse, examine, present and propose principles and policies related to territorial units' competitiveness (Krugman, 1994). So, these commissions and councils have also defined territorial competitiveness concept. So, EU has defined territorial competitiveness in a special edition in 1999 as the capacity of a territory 'to satisfy the demands and needs of local and international markets, ensuring a high and sustainable level of income and standard of living'.

Also, OECD an international organisation with more economic orientation in 1996 defined competitiveness (in a general level) as 'the capacity of firms, regions, places to produce (after they have inserted in international competition) high level of income and employment'. A problem which is very important is considered that OECD defines competitiveness for all the levels (firms, regions, places) without separating them, claiming that regions and places compete against each other in the same way that the firms and enterprises do. In 2000 it gives two definitions: the first is this that Porter made in 1990 and claimed that competitiveness among territorial units like nations or regions is the same with their productivity. The second definition that OECD makes is the 'ability of a territorial unit to attract and retain mobile factors of production, essentially labour and investment'. Territorial units compete against each other directly in a way that skilled labour and investment leave uncompetitive territories towards more competitive ones.

There have been presented the most important definitions which have been made for territorial competitiveness mainly the last 15 last years that the concept has obtained great fame and popularity. As it is obvious, all these definitions defend territorial competitiveness the most of them in a similar manner. Having already understood and examined what the concept's defenders mean by expressing it, it would have high interest to present some of the general and most significant aspects and of territorial competitiveness and issues that are resulted by it.

Territorial Competitiveness Content

After the presentation of definitions which territorial competitiveness' defenders made, there are general and principal aspects and issues connected with the concept that are examined. The way that territorial units compete, for what they compete, the factors that influence territorial competitiveness and the indicators which are proposed or applied in order to measure competitiveness among territorial units.

In an effort for a better approach to territorial competitiveness and mainly the views that defend it there are some characteristics that have to be mentioned. First of all, regarding an issue that has two opposite approaches, competition is not a procedure that every participant benefits but it is a zero-sum game resulting in winners and losers (Marx, 1844, Krugman, 1994). Especially, Cheshire and Gordon (1998) mention that the success of one territory, which is depended partly on the policies that are designed to promote territorial economic activity, can only be a fact at the expense of others. Cheshire (1999) claimed that the territories with the highest capacity 'to have incentive to develop territorially competitive efforts would be the potential gainers'. So, the most competitive territory wins. On the other hand Ciampi (1996) believes that competition is a procedure that could not be characterised as zero-sum game but in contrast through it all the participants have benefits. But it is obvious that the majority of approaches, independently which school of thought it represents, argue that competition is a zero-sum game.

A second aspect of territorial competitiveness concept is the goals that a competitive territory sets. Cheshire and Gordon (1998) add, except mobile investment, business attraction, improvement of existing entrepreneurship environment and new firm formation fostering. However, much territorial competition is directed to attract the main goal, mobile investment. Here occurs a very important question and issue which can consist of another problem regarding territorial competitiveness: Why and under which circumstances do the firms, and more general economic activity, move? They move in order to find better factors of firm location as they were presented upper? And here occurs the issue of the rate of territorial units' capacity to intervene on regional or urban level. But these topics will be examined below.

A third issue regarding territorial competitiveness, which is a result of recent structural changes in economy (Van den Berg and Braum, 1999), is its difference with traditional regional policy. Territorial competitiveness concept is locally based while traditional regional policy is nationally based (Lever, 1999). So, it differs from traditional regional policy as it concerns the level of its implementation (local to state level). According to Cheshire (1999), territorial competition is opposite and against to regional policy because wherever a territorially competitive policy was made the traditional regional policy was declined and worsened. Finally, and probably the most important point of difference is that territorial competitiveness is bottom-up in motivation and aims at resulting only in economic efficiency and not in spatial equity, the desirable result of traditional regional policy. This is considered to be an extremely negative aspect in terms of social policy, referred to territorial competitiveness that aims at economic efficiency and not at divergence and spatial and social equity. The territories which do not develop competitive policies and become at the end uncompetitive, according to defenders of territorial competitiveness concept, will be in the 'periphery' and in the 'core'.

Another observation that could be made is that there is not a connection between different spatial levels in terms of territorial competitiveness, which has its origins in national competitiveness and firms' competition (Lever, 1999). So, nowadays, in EU, the most 'successful and competitive' territories are not necessarily in the most 'successful and competitive' states (Lever, 1999).

Above it was mentioned the issue connected with the level and rate of possible intervention and the difference between firm and territory: a firm owner in order to have a competitive firm can intervene in the interior of firm and make the desirable changes. On the other hand, if a territory's authorities cannot intervene and change factors, connected with space and local economic system which is a territory (Garafoli, 2002), in order to make their territory competitive, the concept of territorial competitiveness is under controversy. The rate of growth of a territorial unit's economy is governed by determinants that are influenced very little by its agencies. The most ambitious interventions are R&D facilities (Cheshire and Gordon, 1998). But generally, it is admitted that territorial units' authorities 'have less control over their assets and liabilities than firms' (Turok, 2004). As a result the links between their activity and the outcome is more direct and uncertain. This consists of another problem (the fourth) regarding territorial competitiveness concept.

A first step (before quoting Porter's opinions below) regarding examination of connection between firms' location and factors of their competitiveness is that except the clearly economic factors of firms' competitiveness (like firm size, ability to attract investment, taxes) there are others related with space. So, firms' competitiveness is depended on the special characteristics and advantages of the territory that it is allocated (Begg, 1999).

Specifically for cities, the degree to which they are competitive or complementary depends mainly on their stage of development: spatial concentration-urbanisation for which the level of competition is low, suburbanization-urban sprawl for which the degree is medium and finally counter-urbanisation which has high level of competition (Van den Berg and Braum, 1999). So, one of the factors (which will be examined more detailed below) of territorial competitiveness is stage of development. However, there is a fifth problem regarding the size of territories which compete against each other: Van den Berg and Braum claim that competitiveness among FUR (Functional Urban Regions) is an important fact while Johansson (2000) believes that these areas are very problematic to compete against each other because they have not the same size.

The most important issue that must be in the core of discussion is not the answer about territorial competitiveness but to understand the determinants of productivity and rate of productivity growth (Porter, 2008). These answers are on specific industries and industry segments and not on the whole economic structure. The most basic measures of economic performance, which is the same with territorial competitiveness for some writers, are territory's overall wage and employment growth.

Finally, it would be interesting to summarise the opinions which are referred to the defenders' approach and to examine if the way that they defend territorial competitiveness and the other characteristics that they give to it (definition, content) is the same. According to Metaxas (2004), there are four quite different groups within the defenders' approach: 1.competition is set through economic actions which take place in the internal environment of territories and through the competition among firms (Cheshire, 1999) 2.except economic there are, also, cultural factors which influences local economic development and territorial competitiveness (Barnett, 2001) 3.terriotrial competitiveness is the goal and territories are products (Mahizhnan, 1999) 4.territories do not compete against each other but only particular groups (Turok, 2004). However, all these four groups define (in almost a different way), defend and promote the concept of territorial competitiveness. Avery important and special occasion, as it could be said, is comparative and competitive advantage.

Comparative and competitive advantage

Comparative and competitive advantage are two concepts which are, also, very popular and important in the discussion that takes place for territorial competitiveness. These two concepts have been equated, totally differentiated but almost surely related during this discussion. However, it is not the end in this discussion and without any doubt it has to be resumed (Gordon, 1999). So, comparative and competitive advantage are presented in this section in order to be defined and to examine the way that they influence territorial competitiveness and its development.

The concept of 'advantage' (both comparative and competitive) has its origins in the admission that space, its environment, (and its characteristics), the territory which is the location of economic activity (mainly firms) is a factor which influences the location, the success and finally the competitiveness of this economic activity. The territory gives to the firms some resources and strength in order to be more competitive (Grant, 1991). So, regarding national competitiveness and comparative – competitive advantage Porter claims:

> The home base is the nation in which the essential competitive advantages of the enterprise are created and sustained. It is where a firm's strategy is set and core product and process technology (broadly defined) are created and maintained. Usually, though not always, much sophisticated production takes place there. The home base will be the location of many of the most productive jobs, the core technologies, and the most advanced skills.

(Porter, 1990)

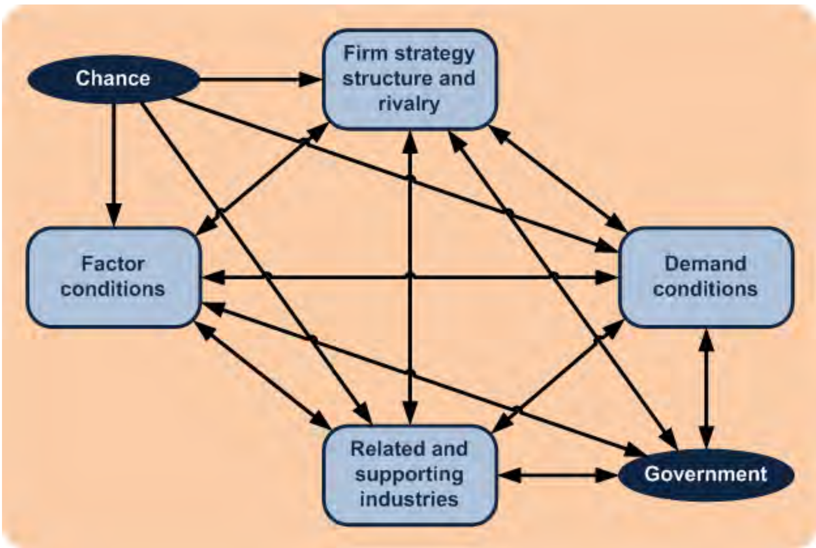
So, nation is a set of contextual variables which influence the competitive advantage of firms and industries. This nation's role has grown because the basis of competition has shifted on the creation and assimilation of knowledge. A very important issue is the specialisation of a territory and the exploitation of its comparative advantage. No territory can be competitive in all or even most industries. It succeeds in particular industries because its home environment is the most forward looking, dynamic and challenging.

Porter, as it was mentioned above, equates territorial competitiveness with territorial productivity. The principal goal for at territory is to produce high and rising standard of living for its citizens, something that is considered to be quite problematic because the evidence has indicated that it is not valid. However, productivity is influenced (improved or threatened) by international trade and foreign investment. Thus the comparative advantage is created and improved by international trade and foreign investment influence to a state to specialise in those industries and segments of industries where its companies are more productive and to import where its companies are less productive (Porter, 1992).

On the other hand, these factors threaten national productivity since they expose a nation's industries to the test of international standards of productivity. An industry will lose out of its productivity is not sufficiently higher than rivals' to offset any advantages in local wage rates. Another problematic is the hypothesis that 'if a state losses the capacity to compete in range of high-productivity/high-wage industries, its standard of living is threatened'. It is considered that the standard of living in a territory (state, region or city) is not depended in such a high degree on territorial competitiveness but on a variety of very important factors.

In order to indicate the factors which influence the 'advantage' of nation Porter (1990) created the 'National Diamond':

Table 2.1: The 'National Diamond'



Source: Porter, 1990

Factor conditions: it indicates position of a state regarding factors of production (like skilled labour and infrastructure) which are necessary to compete in a given industry. Demand conditions: they represent the nature of home-market demand for the industry's product or service. Related and supporting industries: the presence or absence in the state of supplier industries which are internationally competitive. Firm strategy, structure and rivalry: it refers to the conditions in the state which govern how enterprises are created, organised and managed as well as the nature of domestic rivalry (Porter, 1990).

These four factors consist of the national environment in which companies are created and learn to compete. Each of these points affects components for achieving international competitive success. There are like availability of competitive advantage in an industry or the pressures on companies to invest and innovate (Porter, 1995). According to Torres (2002) the competitive advantage of a territorial unit is based on the territorial public and private players' capacity to fit into interdependence relationships, which develop at both local and international level.

There is high degree for examining the relationship between comparative and competitive advantage. The comparative advantage still exists but no longer confers competitive one in most industries but support high wages. The failure to disperse activities for accessing advantages can potentially lead to a competitive disadvantage, 'but doing so yields the firm no advantage' (Porter, 1998). Competitive advantage arises from superior productivity (and not from the low cost inputs or size per se).

The potential advantages, which a location obtains, come from providing an environment in which 'firms can operate more productively and continuously innovate and upgrade their ways of competing to more sophisticated levels, thereby allowing rising productivity' (Porter, 1990). So, the most important factor of productivity and its rate in a specific field is the quality of the environment the location provides. The comparative advantage must be converted to competitive in order to success the above goal of high productivity, in a sense of two concepts' equity.

At last, regarding the level of territorial competitiveness that is meaningful, Porter claims that the only one is national competitiveness, which depends on the capacity of its industry to innovate and upgrade, to be productive. The firms gain advantages (against their competitors) due to pressure and challenge. They benefit from strong domestic rivals, aggressive home-based suppliers and demanding local customers (Porter, 2008).

The way that territories compete

One of the most important aspects regarding territorial competiveness regards to the way that the territories get engaged in a struggle between territories; in competition with other words. Chervant-Breton (1997) claimed that territories compete in the level of foreign investment in order to enhance their economic welfare. The basic question and discussion within defenders' approach is whether the territories compete in the same way that the firms do; whether territories could be considered as products. So, within this approach there are views that conflict with regards to the way that territories compete.

Cities and regions could be considered as products (Van den Berg and Braum, 1999). Territories lack of a clear definition of their products while firms have one. This situation puts obstacles to territorial marketing and competitiveness. But, according to these authors it must not be an obstacle for territories. They compete in the same way that firms do, because marketing refers to the needs and wants of the customer. So, the product which is the territory must satisfy in the highest degree the customers (firms, population, and investment). This could be fulfilled if only territory (the product) is competitive.

On the other hand places cannot compete in the same way that the firms do. The agents and their powers are different and competition is 'moderated by other resource-allocation mechanisms'. First of all, territories cannot go bankrupt if they have a failure on if they are uncompetitive, unlike business. Also, territories still stagnate and decline, even if they do not 'close down', because of local characteristics (like natural resources). Regarding incentives and the way that they are calculated it is very important to be mentioned that the calculation of territories' incentives is much more complex than this of firms' ones (Turok, 2004), because territories are not single entities aiming and driven by profitability like firms do. As it was mentioned above the territories' authorities have less control over their assts than firms. According to Porter (1990), regions and cities compete against each other neither in the way that states compete for a share of world-trade nor in the way that firms do. However, this issue will be examined in a better way below after presenting the approach which disputes territorial competitiveness.

For what territories compete

So, this approach defends the concept of territorial competitiveness. Moreover, it has to be examined for what the territories compete against each other. According to Lever (1999) the territories compete for mobile investment in manufacturing production, economic growth, population, public funds and events. Additionally, they compete in order to gain visitors, residents and workforce, firms and enterprises and external markets (Metaxas, 2004). At last, territories participate in battle among them for investment, population and international trade (Fagerberg, 1996). Each territory, state, region or city, competes in a relative-dynamics game for multi-territorial resources (Johansson, 2000). Cities and regions compete for mobile investment, population, tourism and public funds (Porter, 1990).

Factors and Indicators

A meaningful and almost useful, both qualitative and quantitative concept, as it is territorial competitiveness regarding its defenders, can be measured by some indicators. And there are factors regarding its success or failure: determinant on which the competitiveness of a territorial unit is depended. A problematic regarding territorial competitiveness concept is that many economists (who defend it) escape and avoid defining it going directly to its indicators and factors (Batey and Friedrich, 2000).

As it concerns the factors, there have been quoted form the defenders' approach a variety of them, over 20: labour costs, firms' economic performance, wages (Begg, 1999), investability (Begg, 2002), number and size of public agencies, cultural identity, 'rent-earners' stronger representation in local decision-making, potential for changes in economic structure, small number of leading firms Cheshire and Gordon, 1996), rate of domestic demand, its segment composition (Porter, 1990), market's integration (Cheshire and Gordon, 1998), property market –directly through the provision of suitable accommodation for economic activity or indirectly through its cumulative contribution to the built environment (D'Arcy and Keogh, 1998 and 1999), internationalisation (Gordon, 1999), attractiveness (Funck, 2000), specialisation (Johansson, 2000), trade, productivity, employment rate, urban and regional size (Turok, 2004),. These factors could be divided in two groups: 1.economic and 2.strategic.

Another separation of territorial competitiveness's factors and determinants, which was made after a research in 9000 firms by Nam et al. (1990) in 55 regions of EU and which is depended on the territorial unit and its limits that they refer to, is this of national and regional/urban (Metaxas, 2004). In addition, it is considered that it is inserted the level and degree of intervention of territorial units' agencies and authorities which is a problem regarding territorial competitiveness (as it was mentioned above). National factors with most positive importance: rate of economic development, manufacture policies, laws. National factors with the most negative importance: indirect labour cost, credit cost, income and taxes. Regional factors with most positive importance: access to customers, community systems, access to suppliers. Regional factors with the most negative importance: local/regional taxes, availability and cost of energy supply, cooperation with local/regional authorities. Thus, the existence of high labour cost and local taxes influences inhibit to regional competitiveness. Contrary, the rate of economic development, credit cost and high income contribute positively to regional competitiveness.

There will be analysed four crucial determinant factors of territorial competitiveness which are considered to be very important. Specialisation is a means of competition, according to Johansson (2000). The higher the degree of specialisation is the higher competitive is a territorial unit. The most important determinants of specialisation are internal and external economies of scale, market potential and durable characteristics.

Internationalisation is another important factor, and in the same time a motive, of territorial competitiveness because there are many links between the two concepts: extension of economic integration beyond national borders, heightened competitiveness and increasing recognition that' geography matters' to economic performance (Gordon, 1999). The system of Internationalisation has four principal aspects: 1.its hierarchical, central place character 2.the pattern of specialisation/differentiation of economic activities and place-products 3.the functional division of labour 4.the role of more particularistic networks among subsets of territories.

Integration has partly caused the growth of territorial competition the last thirty years that it exists. It is proportional with territorial competitiveness: the higher the degree of integration is the higher is the growth of territorial competitiveness concept (Cheshire and Gordon, 1996). So, integration, through the evidence from the last 20 years, promotes territorial competitiveness in a way that it generates itself territorial competition that can be viewed as the rational response to incentives. Integration reduces obstacles to moving and generates restructuring which produces local opportunities (Cheshire, 1999). Another issue is that in an integrated Europe there is transition in upper level of governing from national governments to the basic guidelines of European Commission.

Investability could be defined as the conditions which are conducive to increasing the overall rate of a territorial unit's investment (Begg, 1999). Being attractive to investors could be equated with being competitive as a territorial unit. Competition to attract investment by the offer of incentives which go directly to the investors, results in winners and losers: one territory's gains are another's losses. The most problematic consequence is that the true winners are, almost always, the investors.

Another very important topic connected with territorial competitiveness is the way that it is measured, a quite difficult procedure which obligates many authors to admit that the concept is meaningless: that it cannot be measured with a right and fair indicator. This indicator has not been found yet or three have been found many but there is not a general agreement for it.

However, there are many and great efforts to find the most suitable indicators for measuring territorial competitiveness: jobs which were created, production of goods and services, rate of economic growth (Begg, 1999), growth of existing and potential enterprises, GDP per worker, GPD per capita (Lever and Turok, 1999). It is considered that GDP per capita and per worker is a quite confusing indicator because it is used in almost in all economic actions; it is used to measure almost all the economic concepts. Another proposal is this of Lever (1999) who claims that the first and simplest way for measuring territorial competitiveness is to measure its development: compare the rates of economic growth, unemployment and migration. So, territorial competitiveness is the same with territorial development? And for which reasons it is a separate and very popular concept? In addition, a competitive territory has relatively high income per capita and high employment (Turok, 2005). It features as a prominent goal of development agencies. It could refer to the actions of economic agents that 'are taken to enhance the standard of living of their own territories, such as regions, cities or states' (Poot, 2000). It is a measure of territory's potential to achieve sustainable high growth rates in residents' standard of living. It is considered that this definition 'admits' that territorial competitiveness concept is the same with the meaning and goals of territorial development and occurs a problematic regarding its meaningfulness.

Finally, as statistical measures of territorial competitiveness, which are sometimes used as 'score card' of the success of government policies (Poot, 2000), could be considered marketing, assistance to local business, design of infrastructure and amenities (Johansson, 2000).

Territorial Competitiveness as the basis of development

It is generally admitted that in the last twenty years the basis of planning the territorial development (mainly regional one) is territorial competitiveness, i.e. plans and projects that have in core the transition in as much as it is possible competitive territorial units. It could be based on the case of EU, where the concepts that territorially policy is based on are integration and territorial competitiveness which can drive to development (Cheshire, Hay, Carbonaro and Bevan, 1988).

In terms of governance and policy-making the most of territories and mainly the cities have entered the era of transition from urban planning to urban management aiming at being more competitive and formulating the entrepreneurial city (Harvey, 1989). Below, they are presented the type of policies like them, their goals, their usefulness and the results that have been since nowadays.

Generally, there are three types of territorially competitive policy (regarding their content and results): 1.pure waste policies which have no influence 2.policies which have positive impact in economic welfare terms and 3.policies which increase economic welfare both locally and from a wider perspective (Cheshire and Gordon, 1996). A territorially competitive policy must intervene aiming at capacity building, growth enhancing or adaptive, pure promotion, capturing mobile investment, investment subsidies, subsidised premises -in a zero-sum game- and at training, fostering entrepreneurship, helping new firms, business advice, uncertainty reduction

-in a procedure which enhances growth (Cheshire ad Gordon, 1998). In the same time, there are quoted six types of such policies: 1.advertising (no impact on location and welfare) 2.subsidies paid to internationally mobile investors 3.subsidies paid to potentially mobile local firms 4.spending on infrastructure 5.uncertainty reduction 6.spending on training.

The organisational bases are very important for the final outcome of these policies, which are better adjusted to environments with small number of authorities, which means that the less the authorities are (mainly the public sector) the more successful the policy can be. As it was presented above, territorially competitive policies are different to traditional regional development policy due to their different organisational basis, too. A territorially competitive policy is locally based (Cheshire and Gordon, 1996). For succeeding it there is need for more market-oriented policies (Van den Berg and Braum, 1999), even today that the degree, that policies are market-oriented, is the highest ever.

According to Cheshire (1999) there may occur two problems: 1.there is a question of how effectively resources are used in the specific projects 2.how well adapted local policies and projects are to the particular assets and characteristics of the territory, on which competitive advantage in particular clusters of activities can be built. Apart from them, much territorially competitive policy is in the end wasteful, while, the present balance of policy pursued by territorially competitive agencies is likely to be very wasteful.

The goal of territorially competitive policies

The main goal of territorially competitive policy is not the spatial equity but the economic efficiency (Cheshire and Gordon, 1996). This, unfortunately, is also, the result of territorial competitiveness: the divergence and economic efficiency of some places (the winners) and not the convergence and socio-spatial equity. On the other hand, traditional regional policy, at least, aims at spatial equity, although it has not succeeded it.

The results of territorially competitive policies

As it concerns the results of territorially competitive policy, a successful one there are not benefits for all the people: The winners are those who own property will benefit in proportion to their ownership and workers with specific and scarce skills in elastic supply or those dependent on local demand because of immobility or investment in local networks will also benefit. On the other hand, the majority of people, i.e. those on fixed incomes, those who cannot participate in work and re non-property owners, are the losers (Cheshire and Gordon, 1998). So, it is considered that it is not the most suitable basis for territorial development which must aim at equity, equal rate of development and social-spatial convergence.

These territorial competitiveness' negative effects may exist if subsidies are provided to encourage business relocation, it there is misallocation or resources from a national or even local perspective and if it generates substantial human costs and widen social inequalities - if there are consistent losers (Turok, 2004).

On the other hand, territorial units' competitiveness can provide a selection mechanism: firms with out-dated products or inefficient processes do not survive, while new entrants introduce better products and techniques. In addition territorial competitiveness provides strong incentives to existing firms to improve their technology and organisation. At last, it is considered that it could lead to increased tax revenues form a healthy local economy, decline of unemployment and poverty reduction (OECD, 2000). These could be considered two benefits of territorial competitiveness (Turok, 2005). The factor on which is depended the results of territorial competitiveness (that they are positive or negative) is internal potentials that exist and act in inner territorial unit's environment (Metaxas, 2004).

In the European context, territorially competitive policies serve positive ends (Logan and Molotch, 1987). On the other hand Keating (1991) believes that all city-boosterism is generally undesirable and territorially competitive policies are a waste of resources. Regions in competition can only make 'normal' profits on their subsidies. However, because competition does not eliminate the unsuccessful, 'normal' profits could be negative in the long run that leads to spatial and social inequalities. The product of territorial competition is a quasi-public good (Cheshire and Gordon, 1996).

2.4.2 Territorial Competitiveness: a fuzzy concept - The critical approach

General view of the approach

It is general admitted that this period is dominated by the perspective, widely known as 'New Regionalism' (Storper, 1997). This era begins from the assertion that changes in the market and economic system have influenced in a high degree and created new circumstances and challenges for regional and, more generally, territorial development.

Regarding some principles of 'New Regionalism' concept, in spite of knowledge economy has become one of the keys for regional development, it is disputed: the connection and relationship between the 'learning firm' and innovation agencies and the development of territorial economic systems is nowhere clearly conceptualised (Lovering, 2001). Criticising Porter's arguments Lovering claims that he found an 'eager market for his explorations of corporate attempts to achieve competitiveness'. However his studies have been foundational for the concept of 'New Regionalism'.

In this era of 'New Regionalism', it has been introduced and greatly supported and promoted the concept of territorial competitiveness. It has been a fact because competition is at the core of the capitalist paradigm of economic development and economic success has been closely connected with the level of competitiveness. Economists and experts have elevated competitiveness to 'the status of a natural law of the modern capitalist economy' (Kitson, Martin and Tyler, 2004). It is a fact that economists do not use so much the concept of competitiveness, but the commissions and councils on competitiveness do.

There have been many questions regarding territorial competitiveness: What is precisely meant by territorial competitiveness? In what sense do territorial units compete? How can territorial competitiveness be measured? What is its connection with territorial units' economic prosperity? Before quoting the arguments of the approach that is critical to territorial competitiveness and attempting to answer these questions, it is thought that it would be useful to mention some basic problems which this approach considers and which are connected with territorial competitiveness.

Problems regarding territorial competitiveness

In the fields of spatial economics, the concept of competitiveness has been applied into three different levels: 1.the firm 2.the industry 3.the nation (territory). First of all, the most important opinion of this approach is that firm's competitiveness is the most meaningful (McFetridge, 1995). A direct extension of competitiveness from firms' to national level is *a priori* faulty (Yap, 2004). Also, competitiveness was inserted in the level of industry because, usually, there is lack of data in firm one.

Above, there was much discussion and presentation of the relationship between comparative and competitive advantage. This approach claims that they are two different concepts, in contrast to Porter (1990) who believes that they are the same thing. National competitiveness, an almost meaningless concept, is consistent with the improvement of the nation's economic welfare to the extent that it is defined as the rate of growth of per capita income. Markusen (1992) claimed that 'a country is competitive if it maintains a growth rate of real income equal to that of its trading partners in an environment of free and (long run) balanced trade'. However, the growth rate of trading partners is important only as an indication of the growth possibilities open to the home country. 'A nation and region's economic welfare depends only on its own rate of per capita income growth' (McFetridge, 1995). It is neither enhanced by growing faster nor diminished by growing slower than its trading partners.

In addition, the concept of comparative advantage has traditionally been used in spatial economics as the key for a territorial development throughout its specialisation and, consequently, international trade which is a positive-sum game. However, comparative advantage as a concept has its limitations (Gardiner, Martin and Tyler, 2004): it is a static concept that assumes diminishing returns to scale and equivalent technologies among nations. But during the last twenty years this concept is disputed that it is not sufficient to explain trade patterns. So, economists have introduced the competitive advantage which forces the development and improvement of a territorial unit's competitive position (Porter, 1990), which is a very different concept from comparative advantage.

Focusing on territorial competitiveness is itself highly problematic. Except of measuring, comparing and promoting it, the very notion is contentious and far from well understood (Kitson, Martin and Tyler, 2004). Even in terms of exports shares and in regional level, there is lack of a good indicator: 1.the concept of competitiveness is used in both national and regional level without questioning whether this is the most useful or meaningful concept for use at the sub-national (regional or urban) scale 2.as a consequence, it carries over all the problems and debates that surround the notion of national competitiveness as defined in trade and export terms. Territorial competitiveness has never been captured by unambiguous ones (Cellini and Soci, 2002): all of them, despite their high number of components, can never capture all the potentially relevant determinants.

According to Yap (2004) there are five main problems regarding territorial competitiveness concept (focusing on national one): First of all, international trade is not a zero-sum game (as it is competition) but a positive-sum game (all the participants benefit). Secondly, even if a territorial unit, mainly a state, has trade deficit it does not mean that its firms are losing competitiveness. A very suitable example is this of USA in 1990, where there has been recorded a trade deficit for over a decade but this did not matter since the 90 percent of USA output is sold on the domestic market. Its firms were and are still very competitive. So, there has to be a care over the objects that are compared, even in current globalised economy. Thirdly, economic growth and competitiveness are not depended only on the exports shares. So, 'if territorial competitiveness is interpreted in very broad terms so as to encompass total output growth', it simply becomes a development or growth strategy and there is no need to consider it separately. In addition, exports can come from resource endowments (like Indonesia and Malaysia prior to the decade of 1970). Finally, there are many difficulties by the use of aggregate prices (like real effective exchange rate and unit labour costs). There is no unambiguous relationship between exchange rate, labour cost and national competitiveness.

However, people care about how well they are compared to others, both individually and collectively (as a territorial unit - state, region or city). But, there is great difference between performance and potential. The first concept is a result of the second one. Only firms compete against each other. A state is as competitive as its firms are. The only way that public agencies can contribute to firms' competitiveness is to offer them the appropriate business environment (McFetridge, 1995).

It would have great interest to examine the connection between New trade Theory and economy's competitiveness. Having neoclassical paradigm as the dominant for many decades, the development of New Trade Theory, in 1991 by Krugman, represented efforts to relax the restrictive assumptions of neoclassical framework, which assumes the existence of competitive markets, factor substitutability and mobility, and profit maximisation (Yap, 2004). Its basic goal was to shift the focus on technological capability as the primary determinant of an economy's competitiveness. Imperfect markets include valid issues concerning territorial competitiveness both as a concept and as the ability of a territorial unit to be competitive. This opinion, which will be examined below, is fully accepted by Krugman.

The subjects of competition

In the discussion for international economics is very important and there are many misconceptions and much confusion. One of these is territorial competitiveness. The basic and initial opinion of this critical approach for territorial competitiveness, according to Krugman, McFetridge and Lovering competitiveness is applied only in firm level and not in territorial units one (like regions, cities or states). Territorial competitiveness is a meaningless and useless concept and a result - derivative of firms' one (Krugman, 1996a). According to Krugman, 'competitiveness is a kind of ineffable essence that cannot be either defined or measured'. So, it is a case of firms' competition about the location: the firms are the principal actors and not the territories:

> The concept of competitiveness has a clear meaning only when applied to commensurable units (firms) engaged in commensurable activities (competing in a market) so that relative performance can, in principle, be measured along a common scale. When applied to territorially-defined social aggregations such as cities or regions, the term losses all coherence. Different groups of people do not compete in a way that can be measured along a single taxis.
>
> (Lovering, 2001)

There are many reasons about this. Firstly, urban, regional and national environment is very important for firm competition but not determinant: the determinant factors of competition among firms are internal to them like cost efficiency, innovation and marketing. Secondly, the distribution of economic activities is space consists of a physical result of market under conditions of agglomeration economies. Thirdly, when competition is under discussion it has to be considered that the competitors are economic systems with the real meaning so that they can go out of business. But the territorial units cannot go out of business like firms. This is valid for regions and cities and even in the cases of states it is almost the same. A first example is Dubai that has bankrupted but it still exists as a state. Another very characteristic the case of Mexico in 1990: it had huge trade surpluses in the 1980s in order to pay the interest on its foreign debt; after this in 1990s large trade deficits were formulated. Nobody could consider Mexico as a highly competitive state during the debt crisis and the situation after this could not be called as a loss in competitiveness?

Territorial competitiveness is a very different concept to productivity if and only if purchasing power grows significantly more slowly than output (Krugman, 1994). If territorial competitiveness has a meaning, it is productivity, but they are not the same concepts. But even if territorial competitiveness could have a meaning territorial competitiveness does not take place with the same way that the firms do. Someone could argue that the arguments that it is not a case of territorial competitiveness and that it is a case of firms' competition about the location have the same meaning expressed with other words. But, this is not the same meaning with other words, because defending approach almost claims that territorial units compete against each other like firms, enterprises and corporations do. This approach claims thinks, also, that comparative advantage is the same with competitive one, something that as was mentioned above is not valid.

Territorial competitiveness is a narrow concept that portrays regions as being locked in fierce head-to-head battles with one another for mobile capital and resources (Kitson, Martin and Tyler, 2004). Thus, what is the meaning of a war between territories? According to Krugman (1996a) it has no meaning and no usefulness.

So, even though some economists know and admit that territorial competitiveness is a meaningless concept continued and continue to use this concept in order to harness it in the service of good policies. Some careless arithmetic cases (like trade deficits and the loss of god jobs, high value-added sectors, labour costs) enhanced territorial competitiveness concept but are not real (Krugman, 1991a).

Territorial competitiveness is not useful either as an objective public policy or as indicator of national economic performance (McFetridge, 1995). The public and political concern with competitiveness is frequently motivated by the perceived threat of job losses due to imports or loss of export markets.

Cellini and Soci (2002) consider that the concept of territorial competitiveness is elusive and it has never been so well defined. It is meaningless because countries and regions do not have any bottom lines and international trade is not a zero-sum game but a positive-sum one. In addition, territorial competitiveness could be considered as a buzz word: a word which is used without defining it, while there in not a common shared opinion among defending approach about what it means. It is not a yes-or-no concept but a fuzzy one (a concept that has not been defined well) and when it is used it has to be specified an argument of 'relative-to-what'. Territorial competitiveness has been a fuzzy concept due to the timeless evolution (economic theory enjoyed an extension of scope thanks to the increasing importance of certain issues) of general (mainly economic) competitiveness one.

Finally, according to Yap (2004) the concept of competitiveness must be only a firm level concept. In contrast it is extended, by current policies related to space, to territorial level (national, regional or urban). As it concerns the transition from economic to territorial (and mainly national) competitiveness, the export share of a state has the role of the market share exports, real effective exchange rate has the role of price and long run economic growth substitutes the unit labour cost and the profitability. This is faulty because the only principle of firms' competition that could be extended to national level is technological capability. Nevertheless, a state has the ability to intervene in firms' level through technological capability.

Another separation that Yap makes is this between performance and potential: competitiveness' policies should deal only with economic potential in order to increase economy or industry's competitive potential. The elements of potential are: price and cost competitiveness, productivity and technology indicators. Productivity is defined as the efficiency in the use of resources and factors of production. Finally, any comparison between territories must take place only in industry level.

Territorial Competitiveness in controversy

So, territorial competitiveness is disputed. First of all in terms of international trade: international trade, which is the basis of territorial competitiveness, is not a zero-sum game, but a positive-sum. So, they cannot co-exist and depend on each other, because they result in different situations: competitiveness in winners and losers and in contrast international trade in benefits for all the participants (Cellini and Soci, 2002). It is interesting to compare territorial units. But for example asserting that London's growth or development diminishes Paris's status is very different form saying that it reduces the Paris's standard of living because that is the meaning of competitiveness. If someone wins then someone else loses. Among territorial units it is not a fact (Krugman, 1996a). Additionally, trade performance is not an end in itself: it is important if only it contributes to growth of per capita income in long terms (McFetridge, 1995).

Secondly in terms of wages: if wages in one region (or city) increase it is not necessary that the wages of other regions (or cities) will be reduced (Krugman, 1991b) exactly due to imperfect competition that exists in current globalised economy: mobilisation of workers and capital is not perfect, but in contrast it is very difficult. In reality it seems that the wages will be unaffected. If territorial competitiveness was meaningful, wages' increase in a territory (like London) would result in wages decrease in another territory (like Paris) in the spirit of zero-sum game.

The defending approach claims that the growth rate of living standards essentially equals the growth rate of productivity relative to competitors and not the domestic productivity (Krugman, 1994). Even though world trade is larger than ever before, living standards are always determined by domestic factors and not by some competition for world markets. The very characteristic case of USA in 1990, that produced and still produces goods and services for its own use in a percent of almost 90%, was presented above.

The reasons of the persistence in territorial competitiveness

In spite of all this current situation of territorial competitiveness, it is still used widely in policies and, particularly, it is the basis of regional, urban and national development. This persistence in territorial competitiveness is unexplained but it has deep reasons that it takes place despite the critic that has been made regarding it. These reasons are quoted below.

According to Krugman (1994) competition is an easy solution to cover problems. With other words it is a way to excuse unsuccessful policies and economies, in the same time that it is an easy excuse for economic problems, i.e. when something has gone wrong the stakeholders put the blame on low level of competitiveness. Using territorial competitiveness concept the scientists and economists must not think very hard, preferring apparent sophistication. Except of them EU and other organisations of this type believe that the improvement of territorial competitiveness can lead to social and territorial cohesion (Kitson, Martin and Tyler, 2004).

Three more reasons of territorial competitiveness' so widespread use are presented by Krugman (1996a): competitive images are exciting, it offers convenience in solving spatial economic unequal development and competitive metaphor is a very useful political device. Apart from them, hope and fear avoid people of saying that territorial competitiveness is misguided and damaging. Finally, the most important reason for its widespread use is considered to be the incapacity of economists and scientific community to realise the real dimension of state affairs. It is considered that the last years the economists and, sometimes, geographers but mainly commissions and councils are not able to understand and realise the true problems and issues of society, economy and space and they propose competitiveness, unfortunately, to have the major role that has been upper described.

Dangers and results

And the reason that this situation was, directly above, characterised with the adverb unfortunately because all this persistence and high rate of use of territorial competitiveness covers many important dangers, has lead and will lead, until it stops being used, to very undesirable results.

As it concerns the dangers that the obsession of territorial competitiveness poses, it may lead to a very wasteful spending of public authorities' money in the rhetoric 'to increase and enhance competitiveness of our place' that will enhance the inequalities and low living standards. Secondly, the extreme focus on competitiveness could drive, through international trade procedure, in protectionism, trade conflict and trade wars (Krugman, 1994). In addition, it poses the danger for bad policy on a variety of important sectors and topics.

Another danger aspect is that without a clear and generally accepted territorial competitiveness definition, the authorities, policy makers and councils are still planning having in policy's core it (Kitson, Martin and Tyler, 2004). Focus on territorial competitiveness as a core of policy is that this situation could exactly affect, directly and indirectly, economic discussion and policy making. So, when they are committed to a particular concept like territorial competitiveness, they will use for policy-making on all issues, even those that have not anything to do with territorial competitiveness (Krugman, 1996a). Furthermore, and even worse, if this concept is meaningless and useless, like territorial competitiveness, the quality of policy discussion gets lower quality,

Regarding the results that a territorially competitive policy could have, it is considered that the most important is (an issue that is due to main goal of the concept) the economic efficiency (which has not become a fact yet) and not the social and spatial convergence (which surely has not taken place yet and will never do it if territorial competitiveness remains in the core of policies). This is due to there is confusion between people welfare and global competitiveness of firms. Competitiveness does not mean or result in equity (Lovering, 2001).

Knowledge economy and more competitive firms do not result, necessarily, in more jobs and incomes of the kind that will raise economic welfare. In addition, there must be no confusion that territorial competitiveness could solve problems which are caused due to its implementation, such as warlike conflicts, environmental damages, income redistribution and quality of public goods (Sinn, 1990).

At last, Krugman (1994) accepts territorial competitiveness only as 'a poetic way to express territorial productivity'.

2.4.3 Neutral approach

Apart from the absolute views there is an approach that does not defend or dispute territorial competitiveness concept but criticises it and its use as the core of regional development and proposes a better way that it could be used in terms both of territorial analysis and territorial development. Territorial competitiveness and technology are buzz words, i.e. words and concepts that are used widely but vaguely, without their real meaning and outside from their theoretical and technical context (Fagerberg, 1996). According to Jessop (2008), territorial competitiveness is a 'key discursive construct' to which, recently, much rhetoric has been given serving particular interests that reinforce capitalist relations and which hurts regional resilience.

Territorial competitiveness is a concept which is applied in several levels and which formulates an unhealthy situation where one blames its own failures on others. Territorial competitiveness is constructed narrowly and is much more that the 'simple head-to-head stereotype and market motivations manifested in multiple ways' (Bristow, 2005). It is inevitable and the successful regions combine it with cooperation (Patchell, 1996).

Furthermore, in some places of world like states and regions of East Asia, the highest developing economy (Lall, 1994), territorial competitiveness is a matter of economic survival. However, a policy which focuses on competitive gaps in particular activities is partial and misleading. As it concerns comparative advantage, a concept that has been under discussion in a high rate, capability approach claims that is depends more on the ability of a state to control, develop and make use of new technologies and innovation, upgrading its technological level (Lall, 2001).

In current globalised economic background with almost totally open national borders, national economies do not compete against each other in a confrontational way, like firms do. International trade is not a zero-sum game, but a positive-sum one (Lall, 2000): each territorial unit participating in it has benefits, big or small, and it does better than in the absence of trade. It is an illusion for each territorial unit that blaming the others results in defending its own competitive interests. As a consequence, its authorities ask particular, economic or social, groups for benefits and make efforts to support activities which are not related with economy. In addition, many times international territorial competitiveness is equated with indicators of relative unit costs or prices.

Talking in general, competitiveness is not an absolute but a relative term because there is care about how much good is the performance relative to other (Fagerberg, 1996). When competitiveness is applied to a country, a region or a city (a territorial unit in general) it must have a double meaning: economic welfare of citizens and nation's trade performance.

The dominant conception of territorial competitiveness where territories fight against each other in a big global struggle results in winners and losers. As a consequence of these approaches and views, there has been spread a narrow unsophisticated and 'de-contextualised' meaning of territorial competitiveness which could be named as 'placeless' (Bristow, 2010) and creates policy decisions and tools that are not related with space and context. This type of territorial competitiveness, which is widely spread, cannot promote sustainability and face the problem of environmental costs of globally firms and resources (Hudson, 2008). De-contextualised concept of territorial competitiveness creates policy strategies and territorial agendas that lack sensitivity to critical issues of context and place.

So, regarding relative evidence related with territorial competitiveness, it has widely been the basis of territorial (national, regional and urban) development the last 15 years. The reason of this situation is that territorial competitiveness was not conceptualised and invented by theoreticians of space and economy but by practical policy makers and people close to policy-making process.

Through territorial competitiveness process which is a battle among territories for investment, population and international trade, a territory blames the others for its own failures, which is an absolute and universal tendency but only for big and large economies, because depending on export markets for a large share of what one produces prevents small economies to offer incentives for imposing import restrictions (Fagerberg, 1996). This situation is widespread in almost all medium-sized developed states. However in a large state and economy like USA the 90% of output is sold on the domestic market. So, foreign retaliation mat not be seen as a real threat. The same may hold for the EU if it is considered as a whole and integrated economy.

Making effort to conclude and summarise 'neutral approach', with regard to territorial competitiveness, criticises it, mainly when it is used as the basis of territorial development, but neither neglects nor defends its existence as a self-reliant concept. It is a meaningless and useless concept not in general but particularly in the way that it is defined and used in current territorial science analysis and policy-making for territorial development. This is exactly the reason why the concept of territorial competitiveness concept is narrow and weak.

Which could be a fairer and better approach? Some other aspects could lead to this approach. These aspects are considered to be that competition can finally lead to improvement and greater territorial adaptability, the admission that competition is inevitable and that, finally, it is much more than a battle between regions and territories, thinking that market motivations are manifested in more than one way (Bristow, 2010).

So, referring to a territory, in spite of participating in a battle between territories, it should focus on its own performance, on which domestic well-being ultimately depends. According to Lall (2001), the most appropriate term for both analysis and development policy structure is sustained competitiveness which means 'the ability of nations, regions and cities to diversify industrial activity from simple to advanced technologies'.

A contextualised and more related with space approach to competitiveness, could fulfil above needs and prevent the negative consequences of current territorial competitiveness concept to regional resilience (Bristow, 2005). A more nuanced conception of territorial competitiveness is possible. This concept of territorial competitiveness combines both the acceptance that competitiveness is inevitable and that it has positive complexions involving a more effective balance between it and cooperative networks, context and place.

In an attempt to conclude about neutral approach, it was presented that territorial competitiveness is a buzz word, so, it is not used and defined in a good way. Moreover, and in a kind of little contrast, it is considered to be a narrow construct having structure problems of definition and existence, comparing it with a de-contextualised concept, which cannot promote sustainability and environmentally friendly policy. So, it is considered that the opinions which criticise competitiveness keeping a neutral position about it do it with a different way.

2.5 The extension of territorial competitiveness concept: territorial attractiveness (French School of Thought)

In this current background of policy makers' great correspondence to territorial competitiveness it is inserted the concept which could be characterised as the extension of territorial competitiveness, the territorial attractiveness. This concept developed during 1990s, mainly in France, in framework of new regional and local development policies' promotion. It refers to the ability of a territorial unit to maintain, attract and refresh not only the enterprises and economic activity, but furthermore, in the same way, population groups with different origins, in the framework of increasing mobilisation (Duquenne, 2009b). This concept extends the tight limits of territorial competitiveness and gives more attention in the standard of living. It is based on different principles, mainly on territorial identity and on territorial image which are examined more detailed below, and its basic aim is to increase territorial productivity (Nifle, 2004).

Territorial attractiveness is 'the influence of one territory in social realities and phenomena' (Angeon and Rieutort, 2007) and has been affected by theories of both economy and geography. Regarding Esposti (2007) territorial attractiveness is 'the tendency, the capacity of a territory to favour its international competitiveness in comparison with its competitors at international level'.

There have been made two definitions regarding territorial attractiveness; one falsified and one more appropriate (Park, 2005). The first has been typically applied on territories' competition in order to 'attract industries and capital investments to improve their local economic situations' by creating jobs and tax income for the territory. A more suitable to people (residents and visitors) definition is that attractiveness connects with terms of history, culture, sightseeing, landscape, environment and industry. It is not only in terms of industry and business' attraction. The territory can take and give benefits by providing a good 'environmental climate' for its residents and visitors. So, here it could be observed the connection between competitiveness and attractiveness. In other words, territorial attractiveness could be considered as the capacity of a territory to attract economic activity, capital, people and cultural concepts. As a result one of its basic indicators is the percentage of foreign people in the total population of a territory (Oliveira, Roca and Leitao, 2010).

Territorial identity could be considered as a set of 'spatial fixes and flows' that mark a territorial unit. Its valorisation was brought to 'pedestea of a panacea' in order to promote local development sustainability (Roca Z. and Oliveira-Roca M., 2007). Spatial fixes are the sum of rooted and anchored elements of the natural heritage, population and human-made economic and cultural environment, while spatial flows are activities, relations and meanings within territorial and functional networks and systems which influence nature, economy, society and culture.

A very important factor of territorial identity is territory's uniqueness. Territorial uniqueness is a factor which involves features related both to territory's landscape and lifestyle (Roca Z. and Oliveira-Roca M., 2007). Also, natural and cultural environment affect territorial identity with a proportional way according its quality.

A last factor of territorial identity is territorial image. Territorial image is what is perceived on the outside. This image has basis on historical, social, economic, infrastructural, political and cultural characteristics. The level and quality of territorial image affects, both directly and indirectly, territorial attractiveness and its potential (Esposti, 2007). These are the factors of territorial image and potentially, also, of territorial attractiveness.

2.6 Conclusions regarding territorial competitiveness

There has been a long and detailed examination of territorial competitiveness concept. All approaches, regarding it, were presented and so there must be drawn the conclusions which are considered to be the most appropriate, always, to the benefit of the majority of society and territories and not to the benefit of few individuals, places and corporations, a situation which has been the outcome of timeless implemented policy.

There have been indicated many problems related to concept of territorial competitiveness. Firstly, there has been much problematic regarding the definition of territorial competitiveness: there has not been a clear definition that will be generally accepted. As a consequence, territorial competitiveness could be characterised as a fuzzy concept and a buzz word. Furthermore, there have been indicated many problems with regards to measuring and indicators of territorial competitiveness, in spite of the efforts that have been made in order to formulate mix indicators that could have a good result.

Territorial competitiveness in terms of international trade is one problematic itself: international trade is a positive-sum game whereas territorial competition is a zero-sum one. In addition, territory's economic welfare depends only on its own rate of per capita income growth. A trade deficit does not mean that a territory's firms are not competitive (the example of USA in 1990 regarding its domestic market structure and potential is very characteristic). The approach that defends territorial competitiveness concept claims that a territory's standard of living is threatened if it loses the capacity to compete in range of high-productivity/high-wage industries. It is considered that the standard of living in a territory (state, region or city) is not depended in such a high degree on territorial competitiveness but on a variety of very important factors

Also, there must not be any confusion between comparative and competitive advantage, which are two different concepts and which are based on different principles. Territorial competitiveness in terms of wages is, also, problematic since, in the current background of imperfect competition where mobilisation is difficult, an increase of the wages in one territory does not result in the decrease a decrease of the wages in another territory.

When competition is under discussion it has to be considered that the competitors are economic systems with all their characteristics, so they can go out of business. But the territorial units cannot go out of business like firms, cannot bankrupt. Another characteristic of the competitors is their size. So, it cannot be valid that all compete against others, mainly regarding the Functional Urban Areas among which there are many differences. Here, it has to be mentioned the way of territorial competition, which if the concept is valid it is very different than the way of firms' competition.

Furthermore, the owner of a firm can intervene in all the aspects of the firm, whereas the authorities and agencies of a territory cannot act in the same way. The last issue depends on the level of intervention that authorities have and, consequently, on the level of centralisation and de-centralisation of policy and decision making. And mainly, with regards to the most important factor of economic activity location choice for the majority of sectors is labour cost. In this factor any territorial unit, region or city, cannot intervene. As a result competition among these territories for economic activity attraction is considered to be disputed. Furthermore, central state and local 'state' have different roles: central state secures production by improving infrastructures or creating money; with other words it secures capital reproduction. On the other hand, local 'state' (regional or urban authorities and institutions) secures consumption by creating water supply, local markets, schools, securing labour (Cockburn, 1977).

One of the most important goals of territorial competitiveness is the attraction of firms. But there are important aspects regarding firms' mobilisation. Firstly, in current globalised economic background of imperfect competition the mobilisation of capital, workforce and firms is, surely, not perfect; in contrast it is quite difficult. Secondly, which are the circumstances under which there is firms' mobilisation? And which are the reasons for it? According to a research of Cheshire and Gordon (1998) the reasons are: need for more space, better premises, cheaper premises, reorganisation, and labour related issues.

Each economic activity reacts with space because it is not flat, so the same is valid regarding competition and particularly firms' one. Territorial (national, regional or urban) environment and space are very important factors for economic activity location, success and competitiveness, but they are not the determinant ones. The determinant factors of firms' competitiveness are within firms' environment (internal).

So, concerning all the problems regarding territorial competitiveness concept that were quoted above and the true relationship and interaction between space and economic phenomena and with kind respect to all the approaches that defend it we could argue that this territorial competition is not a self-reliant concept but it is a concept which is derivative of firm's competition. It was invented in order to bring territorial development by putting territorial units in a war among them with only goal to win. And this concept mainly aims at economic efficiency and not at socio-spatial equity. This concept is under controversy with regards to its real and true existence. However, even if it exists, territorial competition has three basic characteristics. Firstly, it is not a self-reliant concept but a derivative of firms' one, secondly, it is both meaningless and useless and finally, it results in increasing territorial inequalities.

In this existing background it is inserted the concept of territorial attractiveness which is an extension of territorial competitiveness focusing on the standard of living. Its principles differ to these of territorial competitiveness and it focuses mainly on territorial identity and on territorial image aiming at increasing territorial productivity. It is considered that there must be efforts in order to promote this concept which takes into account the factor of society's prosperity and standard of living in a much higher degree than territorial competitiveness does.

CHAPTER 3: CASE STUDIES

In the two upper chapters there was a whole examination of territorial competitiveness concept. In order to verify the conclusions, which were drawn in the end of chapter 2, there will be examined two specific case studies: the first with regards to the case of the characteristics of economic systems and their possible bankruptcy: Competition exists among 'subjects' which have all the characteristics of economic systems, including this one of bankruptcy and total extinction of the subject. There will be efforts to prove that territorial units may have bad performance or even they may, in such a way, bankrupt and lose their economic and political autonomy but they cannot 'extinct from the world map', instead they always exist.

The second case study refers to the international trade on which are based many aspects of territorial competitiveness (a zero-sum game). There will be attempted to indicate that it is a positive-sum game, a situation which results conflict with territorial competitiveness: all the participants in international trade have benefits, even if they are very small, whereas territorial competitiveness results in a few great winners and in many great losers.

3.1 Do territorial units, and particularly states, extinct after 'bankrupting'?

As it was claimed above, competition exists and develops only between 'subjects' which have all the characteristics of economic systems, including this one regarding an economic system's bankruptcy and extinction. So, below it is described the way that territorial units and specifically states even if they present a bad economic performance or, somehow, bankrupt, they cannot extinct as subjects. This situation indicates a big problematic regarding territorial competitiveness concept both connected with its existence or not as a self reliant concept and with the way that it is applied between territorial units compared to firms' way of competition.

The situation, that almost all states have a quite bad economic performance, takes place due to the policies that have been implemented during the last 150 years by the dominant school of thought, the liberal-neoliberal one and mainly nowadays due to current economic crisis caused exactly by this policies. There is a mechanism that has been applied during the last 70 years, after the end of the two World Wars:

states take loans and borrow huge amounts of money in order to pay their huge obligations in order to have, even a little, development. These loans have built big debts and deficits resulting in the establishment of organisations like International Monetary Fund which lend money to states with the exchange of, almost, controlling their economy.

Table 3.1: World CDS (credit default swaps) and fiscal deficits

	CDS (last known point)	Excess fiscal deficits* in 2009	Excess fiscal deficits* in 2010
United States	33	7.08	6.61
United Kingdom	77	9.54	9.82
Germany	23	2.55	4.12
Italy	90	3.71	3.97
Spain	91	8.29	8.07
France	26	5.93	6.23
Netherlands	29	1.81	3.10
Ireland	155	8.83	8.81
Greece	200	6.63	6.78
Portugal	73	5.19	4.99
Japan	67	8.14	8.34
Brazil	126	0.72	-0.18
Russia	195	7.13	5.73
India	na	-5.65	-6.55
China	75	1.74	2.24
South Korea	90	2.60	2.80
Turkey	192	-4.52	-4.82
Poland	119	4.08	4.78
Hungary	230	-1.38	-1.18

Source: Datastream, 2010

Current economic crisis has worsened the situation of huge national debts and deficits. This crisis originated from the global financial sector, well known as quaternary sector and the housing market and has spread to all sectors of production and affected mainly the developed economies of the West World (USA and EU). It is a crisis of capital hyper – accumulation which has seriously affected all aspects of socioeconomic life in the West World.

It is a strong, long and deep crisis. From August 2008 to October 2009 28,5 from the 62,5 trillion dollars of the worldwide stock value have been lost. It shows high resistance against all attempts to face it. Furthermore it has evident ideological and political parameters.

So, below, they are presented three characteristic case studies of states which despite their not good economic performance they did not bankrupt and they did not close down like a firm, in an environment of competition, would do: Greece, Hungary, and Dubai.

3.1.1 The case of Greece

Greece is a very characteristic case study of not good and inappropriate management of national economics and finances. During the period of the second middle of 20th century Greece had borrowed huge amounts in order to develop in the beginning. But, passing the years, the situation has worsened in a high degree: Greece did not borrow in order to invest for development but to pay the wages and the public expenditures. This situation had deteriorated by the organisation of Olympic Games in 2004 which took place in Greece, creating a higher public deficit and debt despite higher levels of development (European Commission, 2010).

This situation had continued until March of 2010 when the interest rates in the 'markets' became very high in the level of almost 6%. Then, the government turned to the solution of International Monetary Fund because the fames of possible bankruptcy became more and more. However, even Greece had not recourse to the solution of IMF and despite economic councils and commissions would say that Greece had bankrupted, this state would not have bankrupted in reality, would not have closed as a country. Greece would not have finished its route in history because of its very bad economic performance.

And these will be indicated by the other two case studies of Hungary and Dubai which according to many economists, economic councils and commissions they bankrupted but they still exist, they did not close as states and they are still active with regards to their economy and its performance.

Table 3.2: Greece's Rate of Deficit and Debt in Total GDP

	2000	2001	2002	2003
DEFICIT	% GDP	% GDP	% GDP	% of GDP
March 2004	**-2.0**	**-1.4**	**-1.4**	**-1.7**
Tax revenue				0.9
Payments from the EU				0.3
Reclassification of payments from the Postal Bank				0.2
Military expenditure	1.9	1.2	1.7	0.7
Surplus of Social Security Funds	0.0	1.0	0.4	0.6
Under recording of interest	0.3	0.1	0.1	0.1
September2004	**-4.1**	**-3.7**	**-3.7**	**-4.6**
DEBT				
March 2004	**106.1**	**106.6**	**104.6**	**102.6**
Capitalised Interest	4.5	4.2	3.9	3.4
Consolidating Assets of Social Security	3.2	3.8	3.8	3.7
	0.1	0.1	0.2	0.1
September 2004	**114.0**	**114.7**	**112.5**	**109.9**

Source: Eurostat, 2010

Table 3.3: Greece's Rate of Deficit in Total GDP

GREECE Deficit (% of GDP)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Notification of								
2005								
March *	-3.6	-4.1	-5.2	-6.1	-	-	-	-
September *	-6.1	-4.9	-5.7	-6.6	-	-	-	-
2006								
April	-	-4.9	-5.8	-6.9	-4.5	-	-	-
October	-	-5.2	-6.1	-7.8	-5.2	-	-	-
2007								
April	-	-	-6.2	-7.9	-5.5	-2.6	-	-
October	-	-	-5.6	-7.3	-5.1	-2.5	-	-
2008								
April	-	-	-	-7.4	-5.1	-2.6	-2.8	-
October	-	-	-	-7.5	-5.1	-2.8	-3.5	-
2009								
April	-	-	-	-	-5.1	-2.8	-3.6	-5.0
October	-	-	-	-	-5.2	-2.9	-3.7	-7.7

Source: Eurostat, 2010

Table 3.4: Greece's Rate of Debt in Total GDP

GREECE Debt (% of GDP)	2001	2002	2003	2004	2005	2006	2007	2008
Notification of								
2005								
March *	114.8	112.2	109.3	110.5	-	-	-	-
September *	114.4	111.6	108.8	109.3	-	-	-	-
2006								
April	-	110.7	107.8	108.5	107.5	-	-	-
October	-	110.7	107.8	108.5	107.5	-	-	-
2007								
April	-	-	107.8	108.5	107.5	104.6	-	-
October	-	-	97.9	98.6	98.0	95.3	-	-
2008								
April	-	-	-	98.6	98.0	95.3	94.5	-
October	-	-	-	98.6	98.8	95.9	94.8	-
2009								
April	-	-	-	-	98.8	95.9	94.8	97.6
October	-	-	-	-	100.0	97.1	95.6	99.2

* Regulation 3605/93 requested transmission of data before 1 March and 1 September

Source: Eurostat, 2010

Above, they are presented some very characteristic tables which indicate data regarding the national debt and deficit during current decade. As it can be shown by these tables' data, Greek economy had very bad performance during the last years, a situation which was worsening year by year. Because of this situation, Greek government had recourse to IMF resulting in very big cuts in public expenditures and wages in public sector. All these political actions took place in the name of competitiveness and many approaches claim that this crisis is also is a crisis of Greece's competitiveness.

Table 3.2 provides information about deficit and debt of Greek economy. As it is indicated the total deficit of Greek economy increased from 2001 until 2003, the pro-Olympic Games period which was very important for Greek economy's structure: this mega-event was mentioned as the basis for a beginning of Greek economy's growth. However, it had never had the results and benefits that were expected in Greek economy. So, in a measure of September 2004 the deficit in 2003 is the 4,6% of total GDP in Greece, increasing by 0,9% from 2002.

As it concerns more recent years of deficit evolution, in a measure in April 2007 GDP rate in 2004 was the 7,9% of total Greek GDP, i.e. the year that Olympic Games took place in Greece the rate of deficit in total GDP reached its peak in the period between 2000 and 2008. In order to have a better understanding of this situation, German deficit in 2004 was 3,7% of total GDP and Spanish one was only 0,2 of total GDP (Eurostat, 2010). After 2004, deficit rate in total GDP declined rapidly (5% in 2005) and almost reduced by two thirds (2,5% in 2006). However, reaching the period of global economic crisis and of particular Greek economy's crisis, deficit increased again and reached almost 3,5% in 2007 and 7,5% of total Greek.

Debt is the amount that each state owes and was almost $ 5,19 trillion in 2004 and it increases year-by-year due to the spending habits of millions of people worldwide (Krugman, 1991a). It increases year-by-year when there is deficit and it reduces when there is surplus. In the case of Greece, which is a state that from its liberation in 1821 it always borrows great amounts of money (and it uses them in order to pay the public wages and expenditures and not for actions of development policy), debt is another indication that its economy has very bad performance.

More particularly, its timeless evolution from 2001 until 2008 could be described as following: it almost has the same route with this of deficit. So, when deficit increases debt increases, too. On contrary, when deficit declines debt, also, declines. In 2001 national debt is, almost, the 115% of total Greek GDP, while in 2004 it reduces in 108% and in 2007 in 94%. Inserting the period of economic crisis rate of debt increased and it reached the 99,2% of total Greek GDP for the financial year of 2008.

From the upper data, it is obvious that Greek economy has bad performance in current decade culminating with its recourse to IMF and EU highest loans that had ever been given (almost 150 billion euro) and their controlling of political and economic process in Greek territory. Greece had reached so close to announce its bankruptcy but it preferred to lose its autonomy and go under the control of IMF and EU. Even if Greece had bankrupted or even now that is has lost its autonomy, it cannot behave like a firm and disappear from the world map, because Greece is not a firm but a territorial unit and, so, it represents much more than a firm (Greek identity).

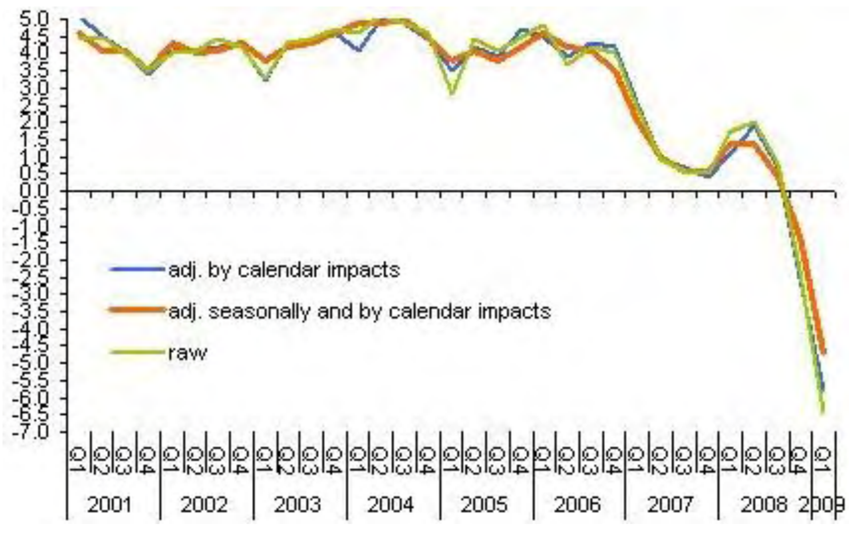
3.1.2 The case of Hungary

According to economic organisations and councils, on February 2009 Hungarian economy bankrupted. Despite the country's entrance in EU in 2003 which indicated a new era for Hungary, its economy did not manage to be unaffected in high degree from economic crisis and it had a very bad economic performance from 2006 until nowadays. Hungarian people could not pay off mortages and personal loans taken out in foreign currency (McElroy, 2009).

For almost a decade Hungary binged on cheap foreign loans taken out in Swiss francs and euro. When forint interest rates proved stubbornly high, lower rate loans in Swiss francs and euro offered extra purchasing power. But after 2006, the forint currency has plummeted and unemployment has ballooned, creating a voracious debt trap that is sucking down banks backed by Western taxpayers.

Nowadays, Hungarian government demanded from EU to fund a massive bailout. The Hungarian government is attempting to guarantee the mortgage payments of everyone who loses a job in the crisis but it is already in receipt of IMF assistance and the pledge will mean more cuts in general expenditure. Below, there is a table showing the four month growth rate of Hungarian GDP. The most significant thing is that despite Hungary inserted in an environment which had in its core territorial competitiveness, it had a very bad economic performance.

Graph 3.1: Timeless evolution of Hungary's GDP growth rate



Source: HSCO (Hungarian Statistical Central Office), 2010

Graph 3.1 provides information for the evolution of Hungarian GDP growth rate from 2001 until 2009. This period could be divided in three sub-periods: the first from 2001 until 2004 that GDP growth rate is steadily over 4% every year. This period includes and the acceptance of Hungary as a MS in EU. This acceptance's first results, which are due to the liberalisation and opening of trade borders, began to appear in the second sub-period of 2004-2006 (particularly its first half) when GDP growth rate in each quarter of year was steadily over 3%, declining almost 1%.

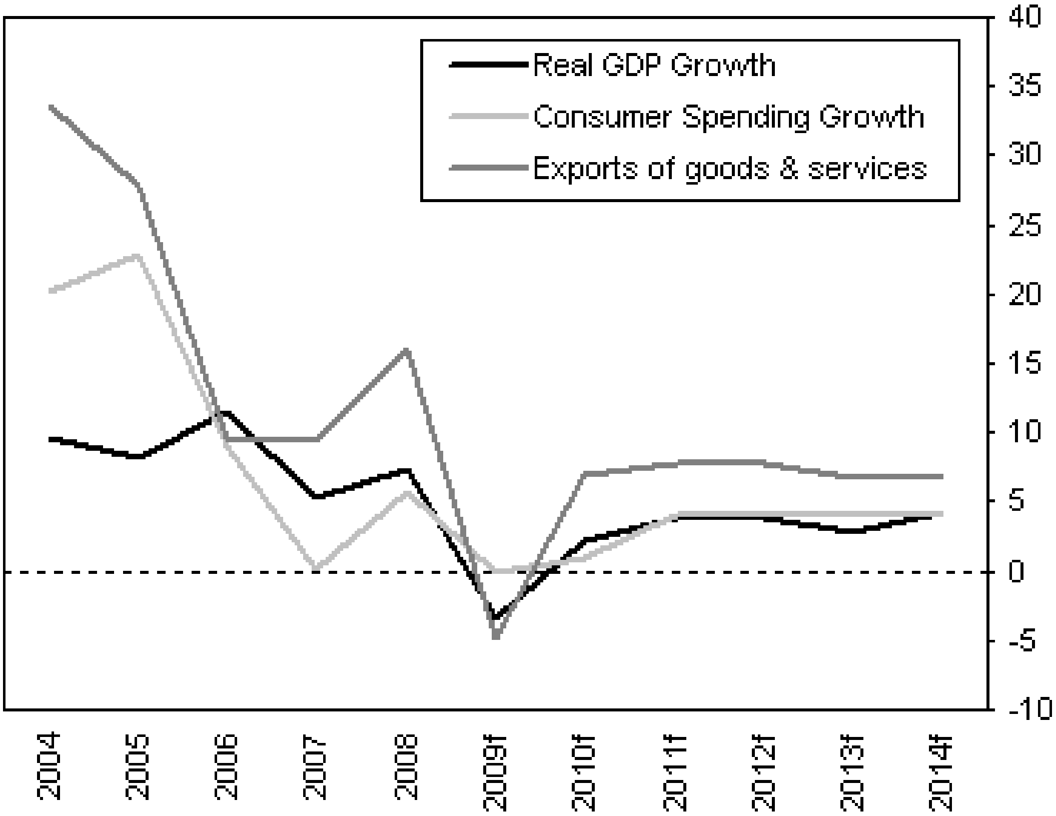
The last sub-period is this between 2006 and 2009 when growth rate of Hungarian GDP not only declined in a high degree but it, also, became negative (with an exception of second half in 2007 and first in 2008 when there was an increase). So, from 2008, within the period of crisis, Hungarian GDP was reducing reaching a decline of 7% in the first quarter of 2009. This whole situation resulted in the great deterioration of Hungarian economy.

So, many economists and economic councils claimed that Hungary bankrupted and a government announcement verified it: Hungary had officially bankrupted and it resorted in a mechanism of support by IMF, losing in the same time its political and economic autonomy. But, despite Hungary bankrupted and lost its autonomy, it did not extinct like a firm might have done. If it was a subject with all economic system's characteristics, after Hungary's bankrupting it would have disappeared from the world map. But nothing like this took place because Hungary is not a firm or an enterprise, but a state a territorial unit, i.e. a territorial unit, which represents much more aspects than a firm does. It represents Hungarian identity and Hungarian culture and in current globalised economic background it has developed an economic structure.

3.1.3 The case of Dubai

Dubai, an emirate among the seven f United Arabic Emirates, has been one of the fastest growing economies of the world based mainly on oil and real estate. But, it had, also, borrowed huge loans which cintributed in a high degree to Dubai's very high foreign debt of $80 billion (Economist, 2009). In November 29th it announced that it would delay repayment of the debts and economic councils hurried to announce its bankruptcy. Below there are graphs which indicate the very bad economic performance of Dubai after 2004.

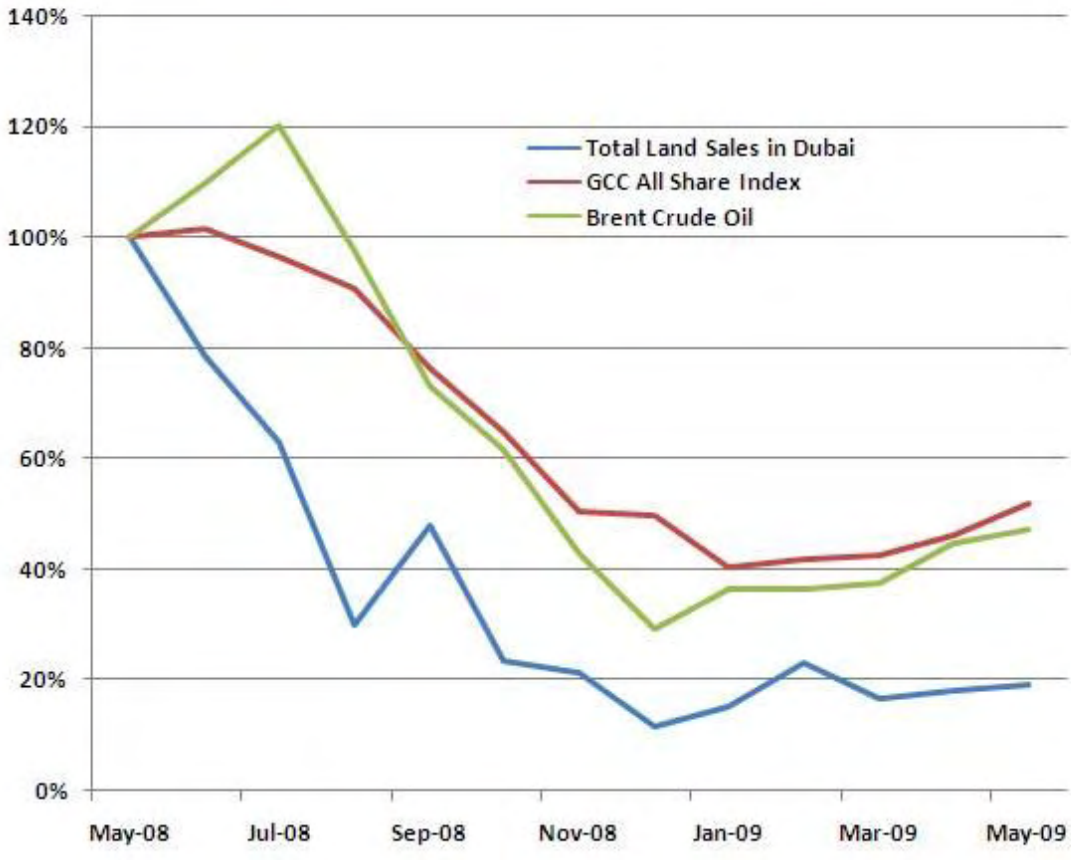
Graph 3.2: Dubai's Real GDP growth



Source: DSC, 2009

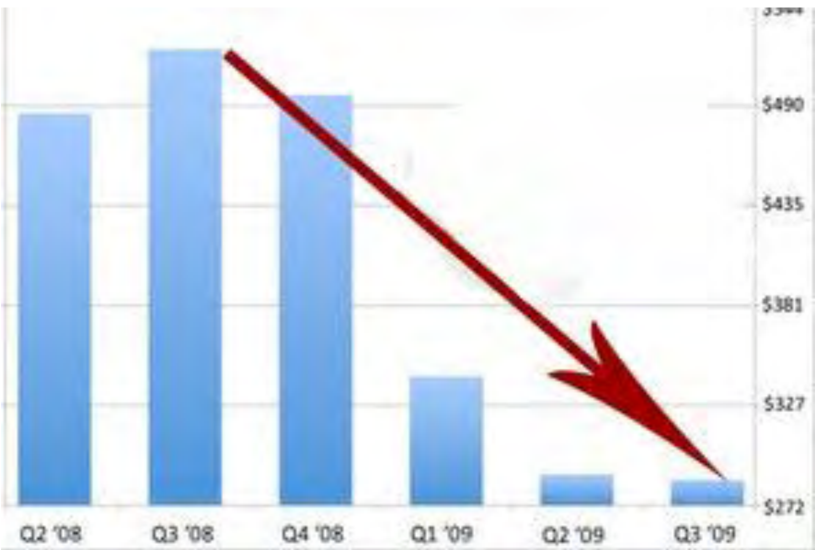
As it is shown in the upper graph, real GDP growth, consumer spending growth and exports had a very important decline from 2004 until 2007. From 2007 until 2008 there is almost an increase in these indicators, but in 2008 there is an extreme decrease which obligated Dubai's government to announce its delay to foreign debt's repayments.

Graph 3.3: Economic performance of Dubai



Source: DSC, 2009

Graph 3.4: Property Prices in Dubai (average)



Source: DSC, 2009

These tables involve indicators and provide information connected with the two most important sectors of Dubai's emirate and which have an important decline between 2008 and 2009 resulting in Dubai's bankruptcy. The solutions was given by a very high loan which borrowed from other emirates within UAE.

Despite this very bad economic performance, the decline in all its important economic sectors and consequently Dubai's bankruptcy this emirate-state is still alive and active and it has not disappeared like a firm would have done. So, it is another indication that territorial units are not subjects with all the characteristics of economic systems and especially the characteristic of disappearing of closing down after a possible bankruptcy.

So, above there were quoted data of territorial units, and particularly, states, which had so bad performance that they announced or almost announced their bankruptcy and they lost their autonomy (economic and political) resorting to solutions like IMF which now almost controls the whole public policy in these units. But in this procedure there must be mentioned a great difference between the economic system of an enterprise and the system of a territorial unit, regarding their characteristics.

A territorial unit may have bad performance like a firm. A territorial unit may bankrupt like a firm. As a result a territorial unit may lose its autonomy resorting to controlling mechanisms like firms. However, a territorial unit cannot extinct or disappear like a firm. This situation is not current but it is in force since the beginning of the integrated and globalised world after the two World Wars. No territorial unit has disappeared or extinct because of its bankruptcy. Many territorial units disappeared by an institutional change or by merging with another but no of them did it due to bankruptcy.

So, a firm is possible to bankrupt and to extinct whereas a territorial unit which represents much more aspects than a firm cannot extinct. Territorial unit's system may have bad economic performance, bankrupt and lose its autonomy but until now in current globalised world no territorial unit has lost its substance and disappear from global map opposed to firms that a great number of them have already disappeared.

Competition takes place among subjects which have all the characteristics of economic systems. As result, there is a problematic with regards territorial competitiveness since territorial units do not have all the characteristics of the economic systems because, as it was indicated above, they cannot extinct like firms do. Territorial competitiveness would not be disputed if territories had all these characteristics, including subjects' (territories) extinction. Economic science proposes and admits that the subject itself may disappear and extinct (in the case of a firm it closes). In spatial and regional science, regarding territories like cities, regions or states, the subject cannot extinct. They remain active, in spite of having fluctuations because they have identity, culture representing something much more than a firm and so they cannot compare with them or even participating in competition in the same way that firms do.

3.2 International trade: a positive-sum game

Many authors who defend territorial competitiveness claim that one of its basic and significant factors and indicators, and a kind of basis of territorial competitiveness, is international trade. It is considered that territorial competitiveness and international trade create a kind of contrast and conflict in current economic background: territorial competition is a zero-sum game (Krugman 1994, Cheshire 1999) having great winners and great losers whereas international trade is a positive-sum one (Cellini and Soci, 2002) resulting in benefits for all the participants. So, these two concepts are different and contrary and their conflict creates problems regarding the concept of territorial competitiveness.

Here it is important to notice that all the territorial units that participate in international trade process have benefits by the meaning that their total clear GDP and GDP per capita increases. But not all the socio-economic classes benefit by the same way and the same rate. As a result, inequalities' level become higher and higher (this is not a result caused only by international trade but it is a consequence of all the aspects of current socio-economic system). This is due to the factors of standard of living: it depends, mainly, on domestic market and policies that are implemented (Krugman 1994, Yap 2004).

The example of USA in 1990 is characteristic. On the contrary, this is a big problem of EU: almost all the output is exported by the MS and by EU as a whole single unit and the domestic consumption is very low. It has as a result the creation, remain and, in many cases, increase of territorial and socio-economic inequalities within EU.

Territorial attractiveness is introduced in this background and it aims at re-use and re-consumption of incomes in the domestic environment of each territorial unit. Because international trade results in benefits only for some particular people and classes, policies which recommend domestic re-use are more appropriate for social equity and justice.

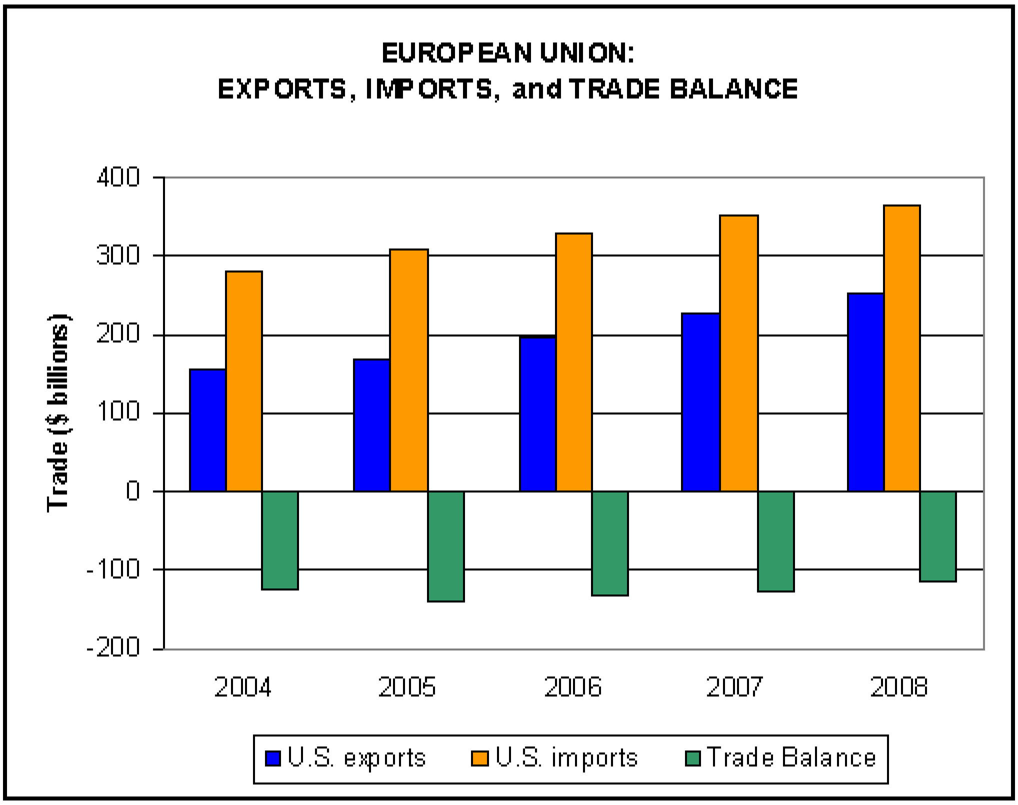
Below they are quoted tables, graphs and maps with data connected with timeless evolution of GDP and rate of participation in international trade in EU and in each MS in an effort to examine the interaction between them.

3.2.1 EU trade performance

Below there are presented data regarding the timeless evolution of trade performance of EU as an integrated economic system and separately of each MS. The first graph indicates EU exports, imports and trade balance and the second graph indicates the same data for each MS. Finally there are quoted two maps which show the degree of integration in EU regarding trade activity.

Trade performance is quoted, before presenting GDP per capita, in order to examine the relationship between trade participation and GDP per capita, i.e. in order to indicate that GDP per capita increases when a territorial unit participates in international trade, particularly if it participates in an integrated market like EU.

Graph 3.5: Trade Performance of EU



Source: Eurostat, 2010

Graph 3.5 provides information regarding the trade performance of EU with USA. So, they are presented EU's exports, imports with USA and consequently the trade balance of EU with USA. As it is indicated in this graph, total EU exports and imports with USA increase by year to year from 2004 to 2008. The exports began from $160 billion in 2004 and increase at $250 billion in 2008, while exports begin from $$280 billion in 2004 and reach at $360 billion in 2008. Thus, trade balance remains steadily negative since exports are always lower than imports.

The most important information from this graph is the simultaneous increase of both imports and exports something which indicates the increase of EU's trade participation year-by-year. This shows that trade has a timeless growth which could be due to many reasons. The most important of them is considered to be opening and liberalisation of borders, a policy action which benefited trade in a very high degree because the transportation cost reduced (due to cut of duties).

A second important reason for trade growth is that there has been a great change of outputs' quality. So, their quality has been mainly improved enhancing the trade participation of each territorial unit in many cases like specialisation. Technological progress has, also, played a major role in trade growth, benefiting the way of transportation that is followed in order to complete an exchange. Additionally, technology progress has benefited infrastructure and its better and higher productivity.

Table 3.5: External Trade of EU MS (in 1.000 million euro)

	Exports			Imports			Balance	
	2006	2007	2006-07 growth rate (%)	2006	2007	2006-07 growth rate (%)	2006	2007
EU-27 (1)	1 159.3	1 239.9	7.0	1 351.7	1 426.0	5.5	-192.5	-186.1
Euro area (2)	1 383.6	1 500.0	8.4	1 392.2	1 471.8	5.7	-8.6	28.2
Belgium	292.2	315.3	7.9	280.3	301.7	7.6	11.9	13.6
Bulgaria	11.8	13.5	14.6	15.4	21.9	41.9	-3.7	-8.4
Czech Republic	75.6	89.3	18.2	74.2	86.0	15.9	1.4	3.3
Denmark	73.7	75.5	2.4	68.1	72.9	7.0	5.6	2.6
Germany	882.5	967.8	9.7	722.1	772.4	7.0	160.4	195.4
Estonia	7.7	8.0	3.9	10.7	11.3	5.8	-3.0	-3.3
Ireland	86.6	88.5	2.2	58.2	60.5	3.9	28.4	28.0
Greece	16.5	17.2	4.1	50.7	55.6	9.8	-34.1	-38.4
Spain	170.2	175.9	3.3	261.8	271.9	3.8	-91.6	-96.0
France	394.9	403.8	2.2	431.6	448.9	4.0	-36.7	-45.1
Italy	332.0	358.6	8.0	352.5	368.1	4.4	-20.5	-9.5
Cyprus	1.1	1.0	-3.8	5.5	6.3	13.9	-4.5	-5.3
Latvia	4.9	6.1	23.7	9.2	11.2	21.7	-4.3	-5.1
Lithuania	11.3	12.5	11.1	15.4	17.8	15.4	-4.2	-5.3
Luxembourg	18.2	16.4	-10.3	21.2	20.0	-5.4	-2.9	-3.7
Hungary	59.9	69.6	16.1	62.3	69.7	11.9	-2.4	-0.1
Malta	2.1	2.1	0.5	3.2	3.2	0.3	-1.0	-1.1
Netherlands	369.3	401.9	8.8	332.0	359.4	8.3	37.3	42.5
Austria	108.9	119.4	9.6	109.3	119.0	8.9	-0.4	0.4
Poland	88.2	102.3	15.9	101.1	120.9	19.5	-12.9	-18.7
Portugal	34.5	37.5	8.8	53.1	57.0	7.4	-18.6	-19.5
Romania	25.9	29.4	13.7	40.8	51.0	25.1	-14.9	-21.6
Slovenia	18.5	22.0	18.7	19.2	23.0	19.8	-0.7	-1.1
Slovakia	33.3	42.5	27.4	35.7	43.9	23.1	-2.4	-1.5
Finland	61.5	65.7	6.8	55.3	59.6	7.9	6.2	6.1
Sweden	117.7	123.4	4.8	101.6	110.4	8.7	16.1	13.0
United Kingdom	357.3	320.3	-10.4	479.0	454.8	-5.0	-121.7	-134.6

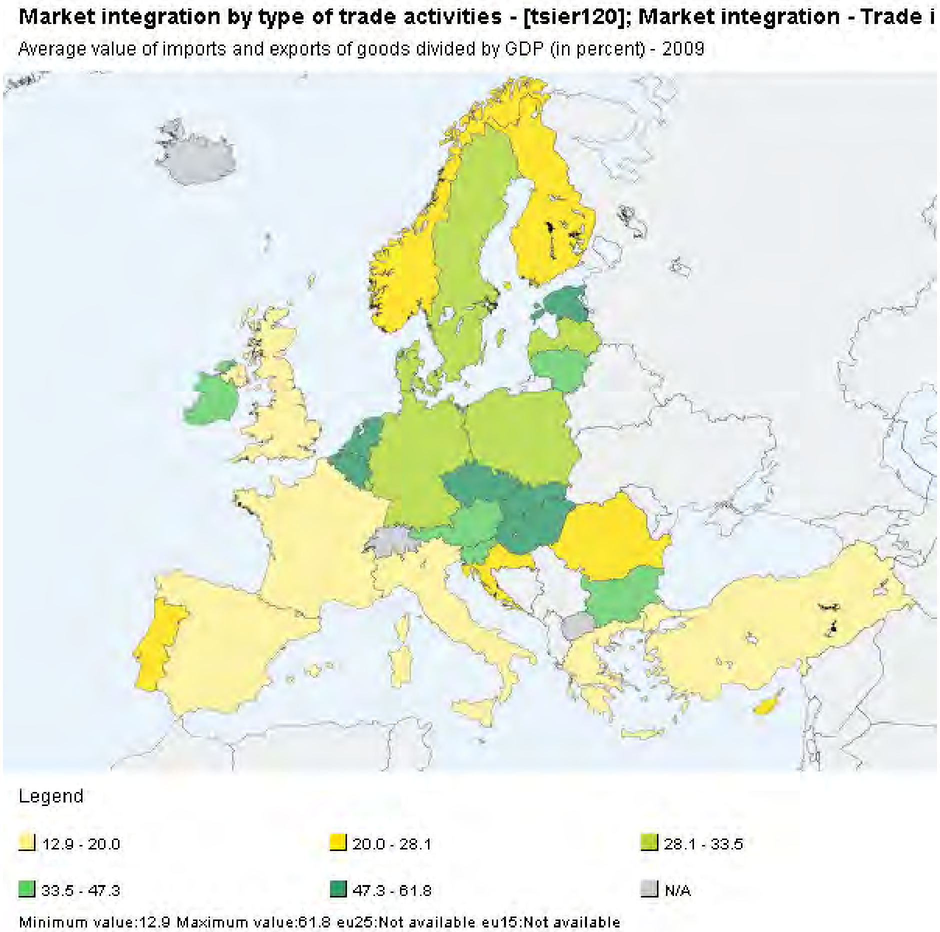
Source: Eurostat, 2010

Table 3.5 includes information regarding external trade of EU and of each MS in 2006 and 2007, i.e. in the period that the borders among the 25 MS have already opened and that the acceptance of Romania and Bulgaria took place, so trade liberalisation had already began and been in procedure. The data indicate that there is positive growth rate for all the MS regarding exports, except of Luxembourg and Cyprus and regarding imports except of Luxembourg.

The highest growth rate regarding exports is this of Slovakia (27,4%), a recent MS of EU, while the highest trade participation is this of Germany both in 2006 (882,5) and 2007 (967,8). As it concerns the imports, Bulgaria has the highest growth rate (41,9%), whereas, also, Germany has the highest trade participation both in 2006 (722,1) and 2007 (772,4). Finally, trade balance is negative for 19 from 25 MS in 2006 (76%) and for 17 from 27 MS in 2007 (62,9%). This verifies the fact that from 2006 to 2007 there is a higher increase of exports than imports in EU.

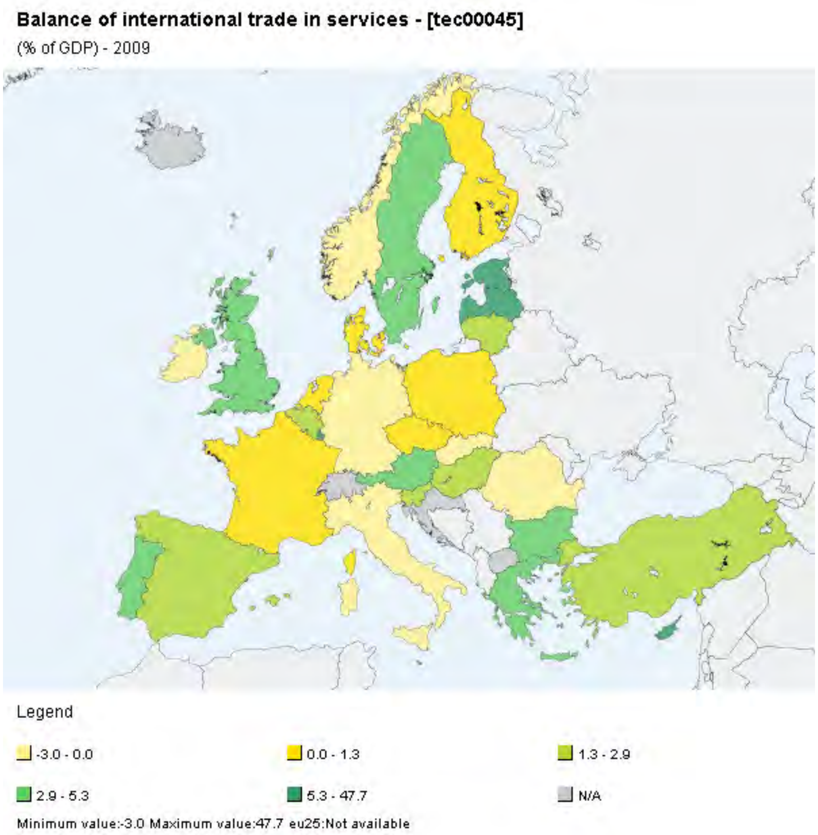
The reasons that there is increase in trade performance for each MS are the same with the above case of EU trade performance with USA: borders opening and trade liberalisation, technology progress and change in outputs' quality. The increase tendency in EU trade performance is timeless if it is combined with graph 3.5. Below, there are two maps which indicate trade performance in EU.

Map 3.1: EU Market Integration



Source: Eurostat, 2010

Map 3.2: EU balance in International Trade in Services



Source: Eurostat, 2010

3.2.2 GDP in EU

Below they are quoted data connected with the evolution of GDP in EU and in each MS, in Purchasing Power Standards (PPS), at current market prices and GDP's growth rate through the years.

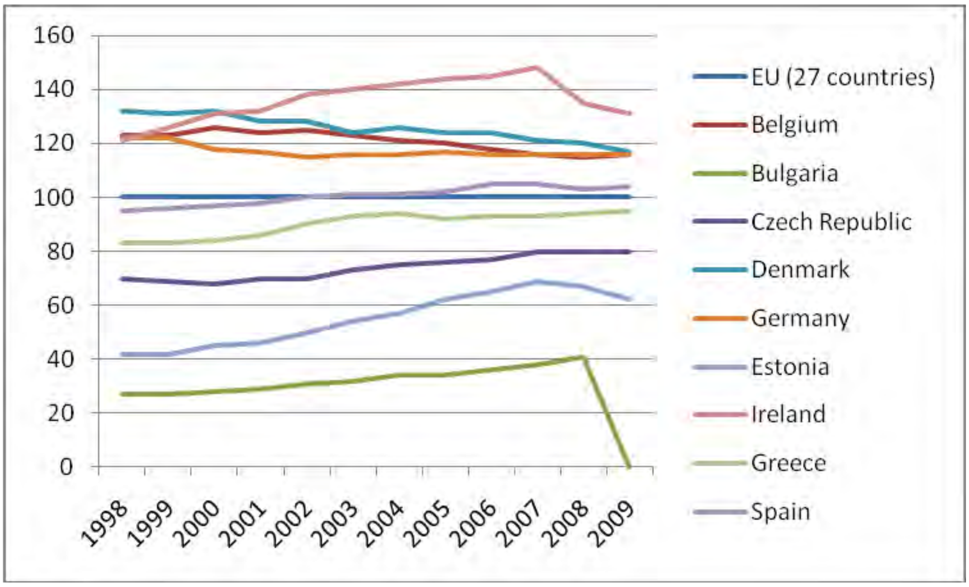
After presenting trade evolution of EU and each MS, there is the examination of GDP in order to examine the relationship between them, i.e. in order to indicate that GDP is proportional is proportional to participation in international trade and they have a direct relationship and interaction.

Table 3.6: EU MS GDP per capita in Purchasing Power Standards (PPS) (EU-27 = 100)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU (27 countries)	100	100	100	100	100	100	100	100	100	100	100	100
EU (25 countries)	105	105	105	105	105	104	104	104	104	104	103	103
EU (15 countries)	115	115	115	115	114	114	113	113	112	112	111	111
Belgium	123	123	126	124	125	123	121	120	118	116	115	116
Bulgaria	27	27	28	29	31	32	34	34	36	38	41	:
Czech Republic	70	69	68	70	70	73	75	76	77	80	80	80
Denmark	132	131	132	128	128	124	126	124	124	121	120	117
Germany	122	122	118	117	115	116	116	117	116	116	116	116
Estonia	42	42	45	46	50	54	57	62	65	69	67	62
Ireland	121	126	131	132	138	140	142	144	145	148	135	131
Greece	83	83	84	86	90	93	94	92	93	93	94	95
Spain	95	96	97	98	100	101	101	102	105	105	103	104
France	115	115	115	116	116	112	110	111	109	108	108	107
Italy	120	117	117	118	112	111	107	105	104	103	102	102
Cyprus	87	87	89	91	89	89	90	91	91	93	96	98
Latvia	36	36	37	39	41	43	46	49	52	56	57	49
Lithuania	40	39	39	41	44	49	50	53	55	59	62	53
Luxembourg	217	237	244	234	240	247	253	254	272	275	276	267
Hungary	54	55	55	59	62	63	63	63	63	63	64	63
Malta	80	81	84	78	79	78	77	78	77	77	76	78
Netherlands	128	131	134	134	133	129	129	131	131	133	134	130
Austria	131	131	131	125	126	127	127	124	125	123	124	122
Poland	48	49	48	48	48	49	51	51	52	54	56	61
Portugal	79	81	81	80	80	79	77	79	79	78	78	78
Romania	:	26	26	28	29	31	34	35	38	42	:	:
Slovenia	79	81	80	80	82	83	86	87	88	89	91	86
Slovakia	52	50	50	52	54	55	57	60	63	68	72	72
Finland	114	115	117	115	115	112	116	114	114	118	117	111
Sweden	123	126	128	122	122	124	126	122	123	125	122	120
United Kingdom	118	118	119	120	121	122	124	122	120	117	116	116

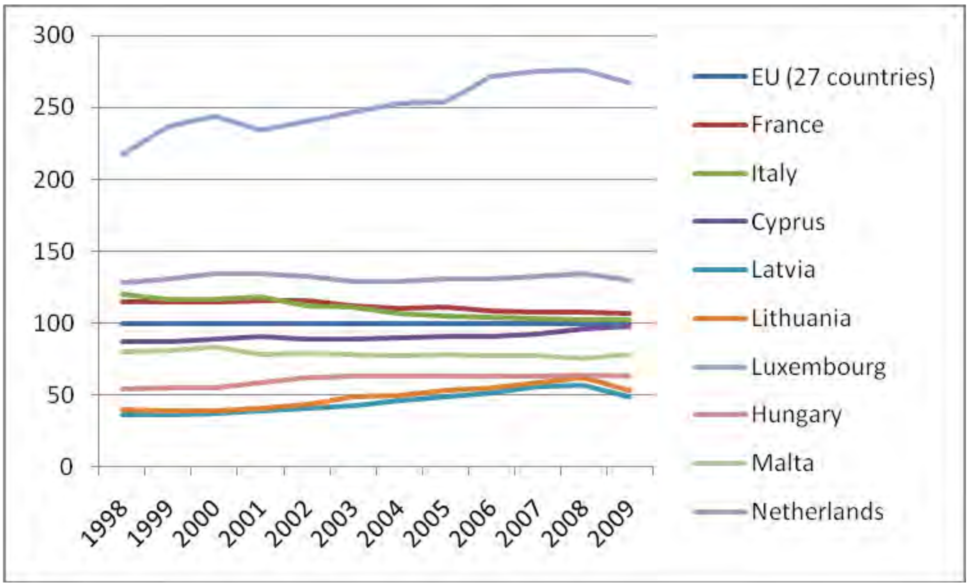
Source: Eurostat, 2010

Graph 3.6: GDP per capita in PPS in EU (9 MS) I



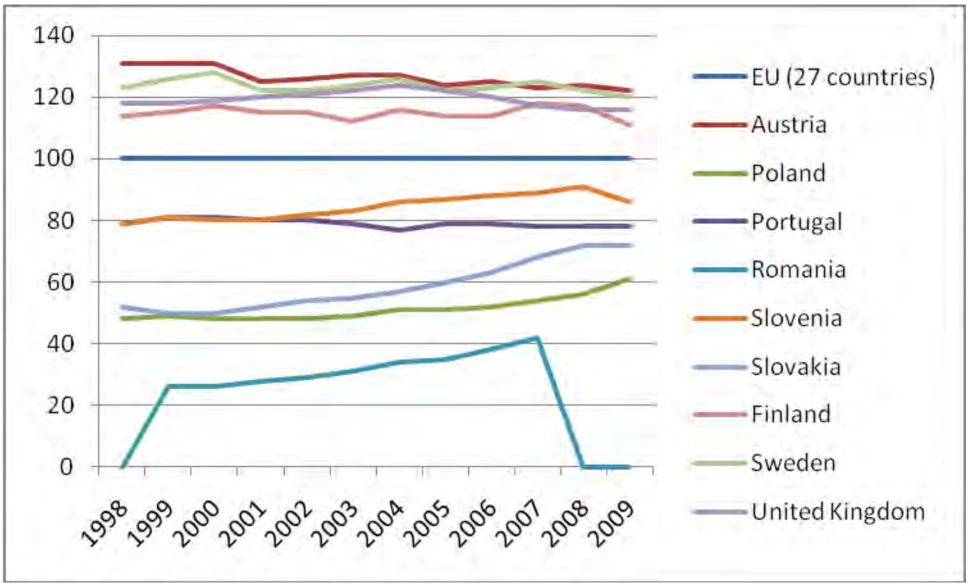
Source: Eurostat, 2010

Graph 3.7 : GDP per capita in PPS in EU (9 MS) II



Source: Eurostat, 2010

Graph 3.8: GDP per capita in PPS in EU (9 MS) III



Source: Eurostat, 2010

According to the information presented in above tables and graphs show that before the beginning of economic crisis in the years 2007 and 2008, each Member State's GDP, in PPS, increases year by year (form 1998 to 2009), particular for the 12 states that became EU member in years 2003 and 2007 which almost benefited, also, by trade and market's integration.

Table 3.7: EU MS GDP at current market prices (at 1.000 million euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Share of EU-27, 2007 (%)
EU-27	8 142	8 558	9 173	9 549	9 911	10 077	10 577	11 035	11 641	12 304	100.0
Euro area	6 140	6 422	6 757	7 051	7 299	7 514	7 819	8 109	8 499	8 919	72.5
Belgium	228	238	252	259	268	275	290	302	317	331	2.7
Bulgaria	11	12	14	15	17	18	20	22	25	29	0.2
Czech Republic	55	56	61	69	80	81	88	100	113	127	1.0
Denmark	155	163	174	179	185	189	197	208	220	228	1.9
Germany	1 952	2 012	2 063	2 113	2 143	2 164	2 211	2 243	2 322	2 423	19.7
Estonia	5	5	6	7	8	9	10	11	13	15	0.1
Ireland	79	91	105	117	130	139	149	161	175	186	1.5
Greece	122	132	138	146	158	171	185	199	214	229	1.9
Spain	537	580	630	681	729	783	841	909	982	1 051	8.5
France	1 315	1 368	1 441	1 497	1 549	1 595	1 660	1 726	1 807	1 892	15.4
Italy	1 087	1 127	1 191	1 249	1 295	1 335	1 392	1 428	1 480	1 536	12.5
Cyprus	9	9	10	11	11	12	13	14	15	16	0.1
Latvia	6	7	8	9	10	10	11	13	16	20	0.2
Lithuania	10	10	12	14	15	16	18	21	24	28	0.2
Luxembourg	17	20	22	23	24	26	27	30	34	36	0.3
Hungary	42	45	52	60	71	75	82	89	90	101	0.8
Malta	3	4	4	4	4	4	5	5	5	5	0.0
Netherlands	360	386	418	448	465	477	491	513	540	567	4.6
Austria	190	198	208	212	219	223	233	244	257	271	2.2
Poland	153	157	186	212	210	192	204	244	272	309	2.5
Portugal	106	114	122	129	135	139	144	149	155	163	1.3
Romania	37	33	40	45	48	53	61	80	98	121	1.0
Slovenia	19	20	21	22	24	25	27	28	30	34	0.3
Slovakia	20	19	22	24	26	29	34	38	45	55	0.4
Finland	116	123	132	140	144	146	152	157	167	180	1.5
Sweden	226	241	266	251	264	276	288	295	313	332	2.7
United Kingdom	1 280	1 384	1 573	1 613	1 679	1 616	1 745	1 805	1 913	2 019	16.4

Source: Eurostat, 2010

In table 3.7 it is shown the timeless evolution of each Member State's total GDP from 1998 to 2007 at 1.000 million euro. All the states' GDP increased year by year except Poland, Romania and Slovakia which had wild fluctuations (but before they had inserted in EU). The highest GDP is Germany's one (2.423.000 million euro in 2007) while the lowest is Malta's one (5.000 million euro in 2007).

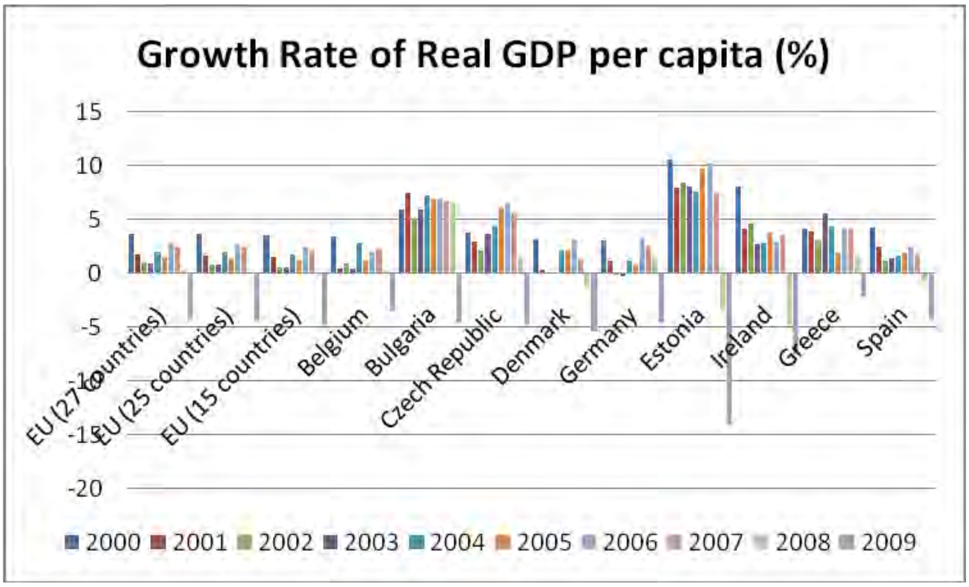
Table 3.8: Growth rate of real GDP per capita (%) in EU MS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU (27 countries)	3,6	1,7	1	0,9	2	1,5	2,8	2,4	0,2	-4,5
EU (25 countries)	3,6	1,6	0,8	0,8	2	1,4	2,7	2,4	0,1	-4,5
EU (15 countries)	3,5	1,5	0,6	0,6	1,7	1,2	2,4	2,1	-0,1	-4,7
Belgium	3,4	0,4	0,9	0,4	2,8	1,2	2	2,2	0,2	-3,5
Bulgaria	5,9	7,4	5,1	5,9	7,2	6,8	6,9	6,7	6,5	-4,6
Czech Republic	3,8	2,9	2,1	3,6	4,4	6	6,5	5,6	1,4	-4,7
Denmark	3,2	0,3	0,1	0,1	2,1	2,1	3,1	1,3	-1,4	-5,4
Germany	3,1	1,1	-0,2	-0,3	1,2	0,8	3,3	2,6	1,4	-4,6
Estonia	10,5	7,9	8,4	8	7,6	9,7	10,2	7,4	-3,5	-14,1
Ireland	8	4,1	4,6	2,7	2,8	3,8	2,9	3,5	-4,7	-7,6
Greece	4,1	3,9	3,1	5,6	4,3	1,9	4,1	4,1	1,6	-2,2
Spain	4,2	2,5	1,2	1,4	1,6	1,9	2,4	1,7	-0,7	-4,3
France	3,2	1,1	0,3	0,4	1,7	1,1	1,5	1,8	-0,3	-3,2
Italy	3,6	1,8	0,1	-0,8	0,5	-0,1	1,5	0,7	-2,1	-5,7
Cyprus	3,9	2,9	0,8	0,2	1,8	1,4	2,1	3,6	2,4	-2,3
Latvia	7,6	8,9	7,2	7,8	9,3	11,2	12,8	10,6	-3,8	-17,5
Lithuania	4	7,3	7,2	10,7	7,9	8,5	8,5	10,4	3,3	-14,3
Luxembourg	6,9	1,8	3	0,3	2,9	3,8	3,9	4,8	-1,7	-5,8
Hungary	5,2	4,4	4,7	4,6	5,1	3,7	4,1	1,1	0,8	-6,2
Malta	:	-2,4	1,9	-0,9	0,1	3,3	2,9	3,1	0,9	-1,7
Netherlands	3,2	1,2	-0,6	-0,1	1,9	1,8	3,2	3,7	1,5	-4,4
Austria	3,4	0,1	1,1	0,4	1,9	1,8	3,1	3,3	1,7	-4,2
Poland	4,3	1,2	1,5	4	5,4	3,7	6,3	6,8	5	1,6
Portugal	3,4	1,3	0	-1,6	1	0,3	1,1	2,2	-0,2	-2,7
Romania	2,5	5,8	8	5,5	8,8	4,4	8,1	6,5	7,5	-6,9
Slovenia	4,1	2,7	3,8	2,8	4,2	4,3	5,4	6,2	3,3	-8,7
Slovakia	1,3	3,9	4,6	4,8	5	6,6	8,4	10,5	6	-4,9
Finland	5,1	2	1,6	1,8	3,8	2,6	4	4,9	0,5	-8,5
Sweden	4,3	1	2,2	2	3,8	2,7	3,7	2,6	-1,6	-6
United Kingdom	3,6	2,1	1,7	2,4	2,5	1,5	2,2	2	-0,7	-5,5

Source: Eurostat, 2010

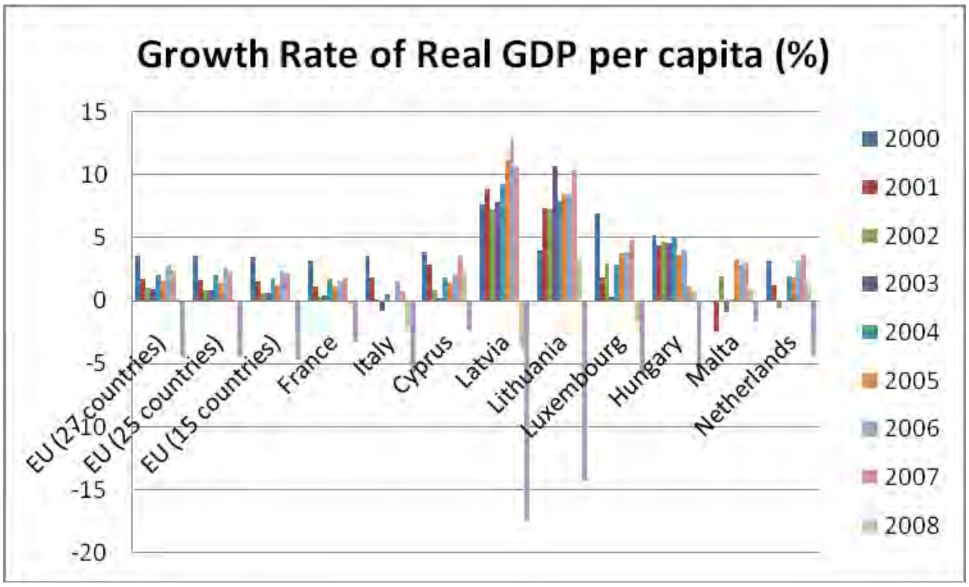
In upper table it is shown that total GDP growth rate is positive for all the Member States from 2000 to 2007 except Germany, Italy, Malta, and the Netherlands (for two years) and Portugal (for one year). This indicates the benefit from international trade which was promoted and which improved total GDP of each Member State in EU. In 2008, the first year of economic crisis, the majority of MS have still positive growth rate (15 form 27 MS), but in 2009, all MS have negative growth rate, with Latvia's GDP being reduced 17,5% from 2008 to 2009.

Graph 3.9: Growth rate of real GDP per capita (%) (9 MS) I



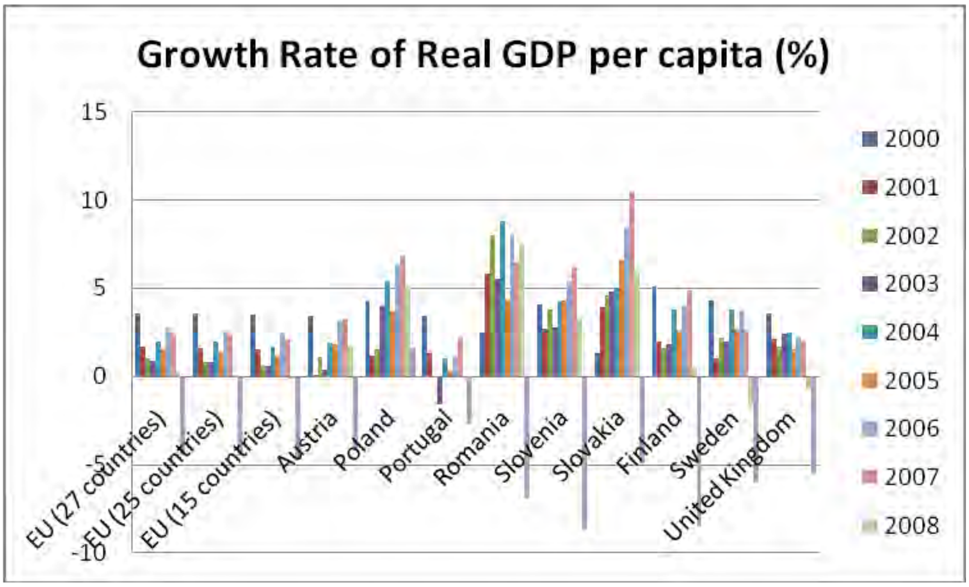
Source: Eurostat, 2010

Graph 3.10: Growth rate of real GDP per capita (%) (9 MS) II



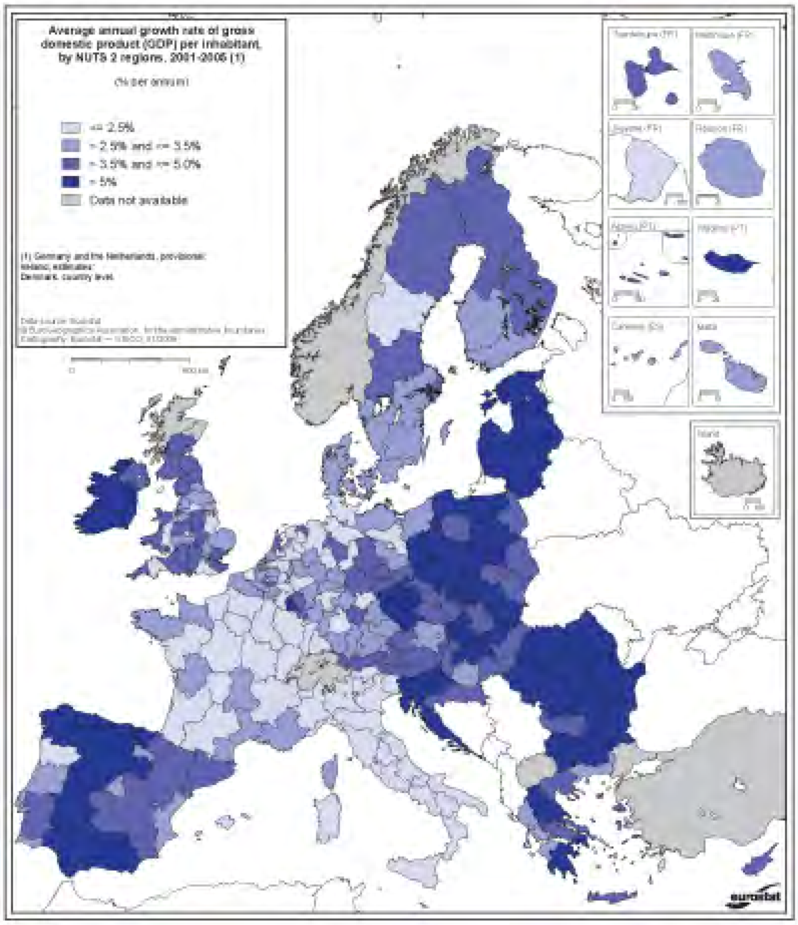
Source: Eurostat, 2010

Graph 3.11: Growth rate of real GDP per capita (%) (9 MS) III



Source: Eurostat, 2010

Map 3.3: EU MS average annual growth rate of GDP per capita (2001-2006)



Source: Eurostat, 2010

In map 3.3 it is indicated the average annual growth rate of GDP per capita in NUTS II regions from 2001 to 2006. This growth rate is divided in four categories, all of them positive (from 'lower than 2,5%' to 'higher than 5%), a verification that international trade performance benefits timeless the evolution of territorial units' GDP.

So, from all these data the conclusion that can be drawn is that international trade benefits all the participant territorial units and particularly states, increasing their total GDP. By this meaning, international trade is considered to be a positive-sum game, something which is on contrary to territorial competitiveness, a zero-sum game.

CONCLUSIONS

This BS Thesis has examined almost all aspects of territorial competitiveness concept: economic competition and the approaches of the basic schools of thought, the origins of territorial competitiveness, the approaches, and case studies in order to verify or not the first conclusions. There were many choices regarding a topic connected to territorial competitiveness: the examination of its existence or not, the degree that it is useful as a basis for territorial development. We chose to examine the origins of territorial competiveness, its real meaning and usefulness, the relationship between competition and space and particularly the degree that it is a self-reliant concept or it originates from firm competition and it is a derivative concept of it.

There was examined economic competition and all the schools of thought that have discussed about it in order to form a global view about this concept: Classical, Neo-Classical, Chicago school of thought, Keynesian, Post-Keynesian, Nash's theory, Marxist, Regulation school of thought. These schools of thought have many differences and many similarities which were ascertained during their examination. However, they have all contributed in a very high degree to the economic theory and thought.

Afterwards, it was noted that competition has, recently, spread in many other fields except this of economic activity: education, politics, health, arts and specifically space and territories. Territorial competitiveness is a recent concept which is very widespread in territorial and regional science and was selected for this thesis because it is considered to be itself a field of research.

In the second chapter there were quoted a small presentation of current economic background, the policies that are planned and implemented and their resulting in a world with more and higher inequalities, despite their implementation and the not function of market without controls. So, it is considered that these policies are not the most suitable.

Economic structure and characteristics of a territorial unit may change by economic activities' mobilisation. A region or a city may change its economic structure when a firm allocates in their territory. So, the location choice of economic activity is important for both the place of location and the economic activity itself.

Location choice depends on many important factors which were presented and analysed before inserting in the quotation of approaches regarding territorial competitiveness.

Territorial competitiveness is so widespread in regional science that there had been appeared many different views and approaches for it which are presented after the examination of location choice factors. First of all there is the defenders approach which defends territorial competitiveness, analysing and examining the factors which influence it. Second and closer to our considerations, the critical approach: it is critical to territorial competitiveness and puts it under controversy explaining, with a different way to this of defenders approach, the aspects of development. At last, there is, also, the neutral approach which proposes a different use of territorial competitiveness concept.

With kind respect to all the approaches it is considered that territorial competitiveness has many problematic issues which have as a result to be disputed. Without aiming at being vertical in our opinion we claim that territorial competition is not a self-reliant but a derivative concept of firms' competition. This is due to many reasons which were quoted above with most important of them: international trade is a positive-sum game while territorial competition zero-sum one, territorial units are not systems with all the characteristics of a typical economic system so they cannot bankrupt, the level of intervention, the mobility of firms, the determinant factors of firms' competitiveness are within firms' environment.

So, firms compete against each other for achieving the best and most suitable level and quality of location choice factors. The enterprise decides which its priorities are and locates in the territory that these priorities exist. Through this procedure territorial units are adjusted in competition among firms. As a result, economic competition among firms reflects to space and interacts with it as all the other economic phenomena and processes. Territorial competition would be a self-reliant and not derivative of firms' one if territorial units set the conditions and the firms would be adjusted to them. But the firms are the actors, not territorial units. Territories attempt to concentrate and obtain all the necessary factors in a high level of quality and quantity in order to attract economic activity. It focuses on its development. So, territorial competition is more possible to be a derivative of firms' one.

Furthermore, territorial competitiveness concept puts territories in individual way of acting and thinking (territorial unit is considered as an individual), excised from others, without co-operation and with single aim at its gains and others' loses. So, what is the meaning of a battle among spaces and territories? There is no meaning at this struggle. It is a meaningless and useless concept that was invented by dominant system's policy-making for being the core of territorial development. The most important regarding this concept is its goal: economic efficiency (in such called a 'local placed' policy) and not socio-spatial equity (even in aspirational level but not in practice) through traditional regional policy. Evidence shows, that territorial competitiveness concept results in winners and losers (the most 'competitive' territorial unit wins) and at divergence and increase of inequalities in a more concentrated world. So, why must policy makers follow this concept? Which are and will be the benefits?

In the final chapter of this thesis, there were examined case studies in order to verify the above conclusions: international trade is a positive-sum game and territorial units cannot extinct after their bankruptcy. The prove of our conclusion was almost managed: territorial competitiveness is not a self-reliant concept but a derivative one from firms' competition; if territorial units compete they do not do it in the same way that firms do and territorial competition is a meaningless concept. Even if policy makers use the concept of territorial competitiveness, we hope to make it with characteristics which are different to these of firms' competition and which do not put territories in a meaningless struggle; on contrary we hope that they focus on the majority of people and of society and their welfare.

Certainly, the issue of territorial competitiveness concept is very interesting and we think that many opinions and writings will be made regarding it. So, some questions for future research could be the real existence or not of territorial competitiveness concept, the exact way that it influences territorial, and not only, development and a deeper examination of the relationship between territorial competitiveness and territorial attractiveness.

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