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TERRITORIAL UNITS & COMPETITIVENESS: A SELF-RELIANT CONCEPT OR A DERIVATIVE CONCEPT OF FIRMS & COMPETITION?

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

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ABSTRACT: 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. So, in current globalised economic background, competition has been extended in fields of education, health, wealth fare and spatial science - 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 the cases of Greece and Dubai present remarkable interest regarding their behaviour after their bad economic performance and its comparison with a firm’s one, particularly in case of bankruptcy.

KEY WORDS: competitiveness, territorial unit, firms, bankruptcy, Greece, Dubai

1. Introduction

Territorial Competition has been developed and examined in a high frequency during the last 20 years with three particular approaches: the defenders, the critical approach and the neutral one. Territorial competition is a phenomenon which takes place among territorial units (states, regions or cities) in order to have the highest

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profits (developing, economic, social) for the 'winner' territorial unit. Recently, territorial competitiveness is the core of regional policy aiming at regional development (Camagni, 2002; Turok, 2004).

There have been developed many theories about territorial competitiveness (many school of economic thought have examined it) and there have been formulated three basic approaches. The first approach, the 'defenders' (Camagni, 1991; Porter, 1999) is this which defends territorial competitiveness, the critical one (Krugman, 1996, 1997; McFetridge, 1995; Yap, 2004) which disputes it and the neutral one. The discussion about territorial competitiveness is rich and consists of both opposite opinions. Each of them has constructed its own theory regarding territorial competitiveness and their conflict contributes to have a more global view of the topic.

The two main questions that this paper makes efforts to examine is, firstly, whether territorial competitiveness is a self-reliant concept or it is a derivative concept of firm competition. It is now broadly accepted that space is not flat and neutral and has different characteristics (Derruau, 1976) which affects the different levels of development and different speed of growth (Krugman, 1998b) for each territorial unit. Space creates social situations, both negative and positives and determines administration and its structure (Harvey, 1982). Every economic and social phenomenon reflects in space. So, competition is related with space and there will be examined the kind of this relationship: if it is direct or indirect, if territorial competitiveness is a self-reliant or derivative concept, focusing on theoretical propositions.

The second basic question of this paper focuses on the comparison between the way that a firm and a territorial unit behave especially in case of bankruptcy. Thus, they are examined the cases of two states –Greece and Dubai-, that had recently (and still have) very bad economic performance, in order to prove that the way that a firm (which disappears after a bankruptcy) behaves is different to this of a territorial unit. Defenders claim that territories can bankrupt (Camagni, 2002) whilst critical approach (which in many topics agrees with neutral one) claims that territories cannot go out of business (Krugman, 1994; Bristow, 2005).

This article makes efforts to examine thoroughly competition in its relationship with space, if it direct or not, evaluating existing theoretical propositions, participating 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. The two basic topics that are examined in this article could be considered as original ones since the core topic of literature's majority is to promote appropriately territorial competitiveness. Especially the examination of the origins of territorial competitiveness is an issue that is important in order to understand its meaning and usefulness, particularly as a regional development policy in the context of current crisis.

In an effort to summarise the issues to which are given emphasis, the contribution of this paper to the current affairs regarding territorial competitiveness and the topics which enhance the literature are considered to be:

1. A deep review of the theoretical review for territorial competitiveness. The classification of all the opinions in three approaches: defenders, critical, and neural
2. An answer is given to the question whether territorial competitiveness is a self-reliant concept or a derivative concept of firm competitiveness
3. There is a comparison between the behaviour of a firm and of a territory in case of bad economic performance or bankruptcy: through the case studies it is examined whether the territories can go out of business due to bad economic performance or to extinct after the announcement of their bankruptcy.

2. Competition in general

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 improves things in many sectors of human endeavour (Porter, 2008: xi). Competition, nowadays, relates with many sectors of science.

Competition is the basis of capitalism and one of the most important powers that act within it; thus without it the capitalist society could not exist (Harman, 1969). In other words economic competition or competitiveness could be defined as a comparative concept of the ability and performance of an economic subject (firm or sub-sector) to sell and supply goods and/or services in a given market (McFetridge,

1995. Today competition today has infiltrated in almost all the fields of everyday life (education, health, arts) (Porter, 1999). One of these fields is space and geography.

3. Current globalised background

Territorial competitiveness was introduced in policy and science discussion in the period of globalisation. Globalisation, in economic terms, is characterised by increasing complexity and density of global supply chains, internationalisation of finance, market and commerce by opening national borders and, mainly, high accumulation of wealth in large multinational corporations and elites who benefit from them (Harvey, 2001). These important changes have been processed by national policies which support and are promoted by dominant school of thought, neo-liberalism. In political terms, globalisation involves weakening of capacity of a state to direct and organise its economy.

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 decline in global inequalities, which is attributable largely to growth of newly industrialising Asian economies, took place in the same period that conditions have worsened in some other parts of world (Castells, 1993). Following and implementing neoliberal policies, rich (territories, corporations and individuals) have become richer and poor have become poorer (Harvey, 2001). So, spatial and social inequalities remain high and, in many cases, increased due to this globalised environment. In common markets, like EU, there seems to be convergence among states, whereas there seems to be divergence among NUTS III regions.

4. The three approaches regarding territorial competitiveness

In this socioeconomic background territorial competitiveness was introduced in terms of policy mainly in reports of institutions like OECD and World Bank and since then the theoretical background of territorial competitiveness is very rich, having structured three different approaches (defenders, critical, neutral). Even though, the 'theoretical legitimacy' of the concept is still uncertain (Camagni, 2002). Specifically, the arguments of the three approaches are the following:

The defenders

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. The starting point for New Regionalism is regional competitiveness (Webb, Collins, 2000). It is a fact that some specific commissions and councils use more territorial competitiveness than economists and geographers do. The language of competitiveness could be characterised as the language of the business community (Bristow, 2005).

Throughout evolution of economic geography, mainly during last 20 years, a particular approach, defended by many authors, has introduced the concept of territorial competitiveness, meaning competition procedure which takes place among territories, i.e. states, regions or cities. It was introduced by Porter (1990) when it was defined in national level, i.e. competition which takes place among states globally. There have been expressed 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:

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, 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, 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, Keogh, 1999)

Pitelis (1994) and Aiginger (2006) relate territorial competitiveness definition with the ability of a territory to create welfare. On the other hand, Cheshire and Gordon (1996) claim that local growth promotion is equal to territorial competition and their increase could rise up the rate of the local economic growth. According to Reinert (1995), a region is competitive when there are the conditions for a rise of its standards of living. Regional competitiveness is the capability of a region to attract

and keep economic activities while the standards of living maintain stable or increasing (Storper, 1997).

Cheshire, Medda and Margini (2000) consider territorial competition as the process through which groups make efforts to promote the territory as a suitable location for economic activity in competition with other areas. The role of location is very important since it affects the competitive advantage by influencing productivity growth of a territory (Porter, 2000). Territorial competitiveness is the 'ability of the territorial economy and society to provide an increasing standard of life for its inhabitants' (Malecki, 2000).

According to Camagni and Capello (2005), competitiveness at territorial level is meant as territorial accessibility (ensures the sources of production and the success of market areas in short time) and as territorial attractiveness (the efficiency of a territorial unit to attract production activities). It is not only the marketing or the attempts for selling the territories, but also the improvement of the factors that make the territory attractive for investment and migration (Malecki, 2004). According to Malecki, territorial competitiveness relates to traditional production, infrastructure and location factors, economic structure, and quality of life. It can be direct for events or indirect and 'incremental in nature' (Lever, Turok, 1999).

Porter introduced the concept in new era, 'new territorial competitiveness' in 1990 with his work and views with regards to competition which takes place among nations and states. His opinion about territorial (mainly national) competitiveness was expressed equalising it with national 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 claimed that the regions compete each other for providing the best possible working conditions for the sector of business. Additionally, he emphasizes the role of clusters (which represent both competition and co-operation -a combination of them-) and their positive influence to the competitive advantage of the locations (2000). Porter relates the influence of location on competition to four factors (factors which influence the advantage of a nation mainly), well known as the 'National Diamond': 1.Firm strategy structure and rivalry, 2.Demand conditions, 3.Factor conditions and 4.Related and supporting industries

In addition, territorial competitiveness and its theoretical legitimacy could be enhanced by the concept of 'collective learning' (Camagni, 1991; Capello, 1999):

territorial competitiveness role to provide a competitive background for the firms and individual companies is secondary compared to its primary role in the procedures of knowledge accumulation and the development of co-operations which are the basis for local and regional enterprises' innovative progress (Camagni, 2002).

Territorial competitiveness has been promoted in an important rate by institutions and organisations like EU and OECD; EU has established commissions and councils which analyse, examine, present and propose principles and policies related to territorial units' competitiveness (Krugman, 1994). So, EU gives to territorial competitiveness the following definition: 'the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term' (Commission, 1999:75). 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 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.

It is broadly accepted by almost all the approaches that competition is a zero-sum game; it has winners and losers (Marx, 1844, Krugman, 1994; Cheshire, 1999). 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. 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; Yap, 2004). 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.

An important question regarding territorial competitiveness is the possible or not existence of competition between territories in the three different spatial levels (state, region, city) and differences among these type of competitiveness (Malecki,

2004). 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. Van den Berg and Braum (1999) consider that territories compete in the same way with the firms while Turok (2004) and Malecki (2007) claims that the way is different. Competition among firms is a self-reliant concept and it 'is converted' to territorial competition due to the 'quality' (the ability to achieve and maintain the quality of products) and 'innovative' (the ability to innovate) dimension: these two dimensions of competitiveness meet conditions which are external to a firm (Porter, 1999) that changes the situation that the territories are the locations for 'competitive activity' by firms in a situation that the territories must be 'themselves competitive' (Courchene, 1999; Donald, 2001).

The critical approach

In the fields of spatial economics, 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.

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 (Krugman, 1994).

The basic and initial opinion of critical approach is that competitiveness is applied only in firm level and not in territorial units one. Territorial competitiveness is a meaningless and useless concept and a result - derivative of firms' one (Krugman, 1996). According to Krugman, 'competitiveness is a kind of ineffable essence that

cannot be either defined or measured' (Krugman, 1997). 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 loses all coherence.

(Lovering, 2001)

There are many reasons about the claim that territorial competitiveness is a dangerously misleading concept:

- Firstly, urban, regional and national environment is very important for firm competition but not determinant (Krugman, 1997): the determinant factors of competition among firms are internal to them like cost efficiency, innovation and marketing.
- Secondly, the distribution of economic activities in 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 (Krugman, 1997: 6). 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 announced its bankruptcy' but it still exists as a state. Another very characteristic case is Mexico in 1990: it had huge trade surpluses in the 1980s in order to pay the interest on its foreign debt. 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?
- Growth is a concept at which a territory aims for its own sake and not in order to compete the others (particularly for a state): 'Maintaining productivity growth and technological progress is extremely important; but it is important for its own sake, not because it is necessary to keep up with international competition' (Krugman, 1997: 101). Thus, the factors of standard of living depend, mainly, on domestic market and policies that are implemented (Krugman 1994, Yap 2004). The example of USA in 1990 is characteristic.

In addition territorial competitiveness is very different to productivity if and only if purchasing power grows significantly more slowly than output (Krugman, 1994). 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, Tyler, 2004). Thus, what is the meaning of a war between territories? According to Krugman (1996) it has no meaning and no usefulness. Many aspects of the critical approach are examined in the section of the weak issues of territorial competitiveness.

Neutral approach

Apart from the absolute views there is an approach that does not defend or dispute territorial competitiveness 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). Moreover, defenders' approach over-emphasizes on the one side the significance of the territory to the firm competitiveness (of course without claiming that the territory is irrelevant to the performance of economic activity and firms) and on the other side the role of firm competitiveness in regional prosperity (Bristow, 2005). Bristow also claims that defenders have very simply assumed that what applies to the level of firms (like competitiveness) can be transferred to other entities like territories and that this is not only a belief or opinion of them but the concrete reality, resulting in a very narrow focus on territorial economic development.

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 constructed narrowly and is much more than the 'simple head-to-head stereotype and market motivations manifested in multiple ways' (Bristow, 2005). Bristow, also, claims that the acceptance of territorial competitiveness in the policy and its measurement have taken place without dealing with many important questions and topics regarding it. The dominant conception of territorial competitiveness where territories fight against each other in a big global struggle results in winners and losers (Cheshire, 1999). 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. Territorial competitiveness is introduced in a background which is characterised by the lack of any effort to conceptualise regions as territorially defined social aggregations, each of them with its own economic and political characteristics (Lovering, 1999).

Table 1: Basic Characteristics of the three approaches

Topic	Defenders	Critical	Neutral
Determinant factors of firms' economic performance	External to firm (Porter, 1999; Gertler, 2001)	Internal to firm (Krugman, 1996)	Internal to firm (Bristow, 2005)
Determinant factors of firms' innovation (central to territorial competitiveness)	External to firm (Capello, 1999)	Internal to firm (Sternberg, Arndt, 2001)	Internal to firm (Bristow, 2005)
Territories can bankrupt	Yes (Camagni, 2002)	No (Krugman, 1994)	No (Bristow, 2005)
Territories compete in the same way like firms do	Yes (Van den Berg, Braum, 1999) + No (Turok, 2004)	No (Krugman, 1997)	-
Direct extension of competitiveness from firm to territories	Right (Courchene, 1999; Donald, 2001)	False (Lovering, 2001)	False (Jessop, 2008)
Territorial competitiveness → a buzz and fuzzy concept	No (Cheshire, Gordon, 1996; D' Arcy, Keogh, 1999)	Yes (Cellini, Soci, 2002)	Yes (Fagerberg, 1996)
A territory increase its growth and productivity for	Competing the others (Lever, Turok, 1999)	Its own sake (Krugman, 1997)	Its own sake (Jessop, 2008)
Territorial competitiveness	Meaningful and useful, the basis for territorial development (Reinert, 1995; Storper, 1997;)	Useless and meaningless (McFetridge, 1995)	Placeless and de-contextualised (Bristow, 2010)
Increase of firms' competitiveness → increase of standards of living	Yes (Malecki, 2000; Aiginger, 2006)	Not necessarily (Yap, 2004)	Not necessarily (Lovering, 1999)
Increase of standards of living equals the growth rate of productivity relative to	Competitors (Begg, 1999)	Domestic productivity (Krugman, 1994)	-

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). National competitiveness is the 'ability of a country to realise central economic goals, especially growth in income and employment, without running into balance of payments difficulties' (Fagerberg, 1988). 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. This approach criticises territorial competitiveness mainly when it is used as the basis of territorial development, because it was not conceptualised and

invented by theoreticians of space and economy but by practical policy makers and people close to policy-making process.

In order to have a global view of each of the approaches, the basic characteristics of each of them are summarised in table 1.

5. Weak issues of territorial competitiveness

There have been indicated many problems related to territorial competitiveness. Firstly, there seems to be problems regarding the definition of territorial competitiveness: there has not yet been a clear definition that will be generally accepted (Malecki, 2002; Bristow, 2005). As a consequence, territorial competitiveness could be characterised as a fuzzy concept and a buzz word. Furthermore, there are many problems with regards to measuring and indicators of territorial competitiveness.

Territorial competitiveness in terms of international trade is one problematic itself: international trade, the basis of territorial competitiveness, is a positive-sum game whereas territorial competition is a zero-sum one (Lovering, 1995: 122-124; Krugman, 1997; Schoenberger, 1998; Camagni, 2002). 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, 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 from 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, 1996).

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. Growth is a concept at which a territory aims for its own sake and not in order to compete the others (Krugman, 1997).

Furthermore, 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, 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. 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 regarding territorial competitiveness, 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).

Another very important topic related to 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 (Begg, 1999; Lever, 1999; Poot, 2000; Bristow, 2005). Except of measuring, comparing and promoting it, the very notion is contentious and far from well understood (Kitson, Martin, Tyler, 2004).

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 (Krugman, 1997). Especially regarding Multinational Enterprises, which are the dominant ones and determine many aspects in current globalised economy, the factors that drive the re-investment process in regions are internal in them and totally disconnected with territories (Phelps et al., 2003). But even non-multinational firms

are, also, connected with and greatly affected by international networks in which they participate (Tracey, Clark, 2003).

When competition is under discussion it has to be considered that the competitors are economic systems - subjects with all their characteristics, so they can go out of business. But the territorial units cannot go out of business like firms, cannot bankrupt (Krugman, 1994; Malecki, 2007). Camagni (2002) claims that territories and mainly regions can go out of business 'if the efficiency and competitiveness of all its sectors is lower than that of other regions'. But, if territorial competitiveness was a self-reliant concept the regions would really go out of business. Having lower levels of efficiency and competitiveness of all the sectors does not result in a bankruptcy of a territory. The statement that in the absence of comparative advantage and no specialisation the absolute advantage (and so the exchanges and the avoidance of country's bankruptcy) will appear only in countries and not in regions or cities (Malecki, 2007) is considered to be only half right: in the new globalised background, where the regions' exchanges take place not in a national but in an international level (but still in an inter-regional way), the trade is based on comparative advantage and not absolute advantage (Armstrong, Taylor, 2000: 123) and each region will have a specialisation. In addition, there must not be confusion between regions which are poor, having a trade deficit, with regions that are out of business. A less developed and poorer region is not a bankrupted region. This is indicated in the second part of this paper.

So, concerning all the problems regarding territorial competitiveness 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 territorial competition is not a self-reliant concept but it is a concept which is derivative of firm's competition. It was introduced 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, its real existence is under controversy and finally, it results in increasing territorial inequalities. One of the basic reasons for this is that territories cannot extinct even if they have announced their bankruptcy, a situation which is described below.

6. Case studies

Competition exists among ‘subjects’ which have all the characteristics of economic systems, including this one of bankruptcy and total extinction of the subject. Below it is indicated 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 (Krugman, 1994; Malecki, 2007). There are many examples of states (especially recently due to economic crisis) that had a very bad performance and announced their ‘bankruptcy’ or at least their accession in mechanism of support (mainly under IMF). This situation has been a result of the huge loans that states have borrowed from international market in order to make imports (Bina, Yaghmaian, 1991) and pay their huge internal (public) financial obligations (Hosseinzadeh, 1988). Secondly, the states don’t tax all the citizens equally and in most of times they do not tax the upper class and the manufacturers (Cipolla, 1992; Michl, Georges, 1996). So, they do not have revenues in order to decline the debts resulting in a great increase of their deficits.

Below, they are presented two very characteristic cases of states in a situation like this: Greece and Dubai, which despite their not good economic performance (Greece) or the announcement of bankruptcy (Dubai) they did not close down like a firm. Greece was selected because it is the first state of EU that was introduced into the mechanism of support which both EU and IMF created while Dubai was selected because until 2008, that its ‘bankruptcy’ was announced, was the symbol of huge economic development worldwide.

The case of Greece

Greece is one of these many states that had borrowed huge loans for all the reasons that have explained above. But, throughout the years, the situation has worsened in a high degree: on the one hand Greece (like the majority of developed states) did not borrow in order to invest for development but to pay the wages and the public expenditures and on the other hand there was evasion of the big majority of the upper class. So, the revenues of the state were not increasing resulting in the high increase of deficit.

Table 2: EU-27 Rate of Deficit in Total GDP

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
European Union (27)	-6,8	-2,3	-0,9	-1,5	-2,5	-2,9	-3,1	-2,5	-1,4	0,6
Greece	-15,4	-9,4	-6,4	-5,7	-5,2	-7,5	-5,6	-4,8	-4,5	-3,7

Source: Eurostat, 2010

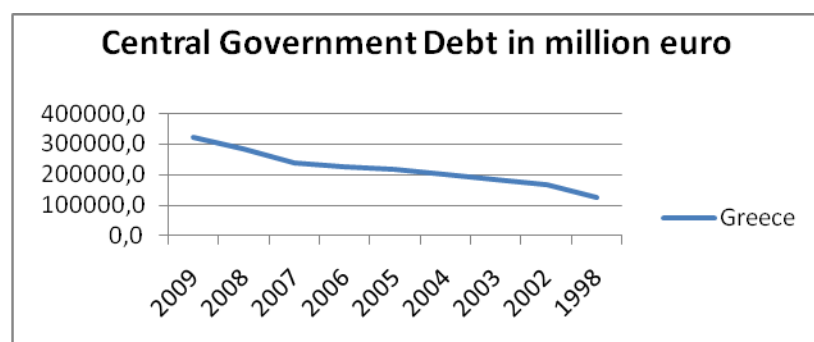
Greek economy had very bad performance during the last years, a situation which was getting worse year by year. Because of this situation, Greek government had recourse to IMF resulting in very big cuts in public expenditures and wages in public sector. All these political actions took place in the name of competitiveness and many approaches claim that this crisis is also a crisis of Greece's competitiveness.

As it can be seen in table 2, the rate of deficit of Greek economy in 2000-2003 period is much higher than EU27 (average). 2004 was the Olympic Games year 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. In contrary the deficit and the borrowings of Greece increased (-7,5%) in 2004, the year that all the financial obligations of Greek economy took place due to the fulfillment of the Olympic projects.

After 2004 Greek rate of deficit slightly decreased before being the highest in EU (Eurostat, 2010) for the years in the row (2007, 2008, and 2009), a situation which indicates the huge negative effects that global economic crisis had on Greek economy uncovering the previous bad performance in the most emphatic way. In 2009 the deficit is -15,4% of total GDP of Greek economy.

As it concerns the Greek debt (graph 1) from 1998 to 2009 it has an extremely increasing evolution starting from almost 125,000 million euro in 1998 and increasing to almost 320,000 million euro in 2009. Greek debt increased so much due to the increased borrowings of Greek economy in order to pay its basic obligations (like pensions, health and education) and the development projects expenditures which were very high (Olympic Games); however they did not affect Greek economic growth in a positive way.

Graph 1: Greece central Government Debt



Source: Eurostat, 2010

Global economic crisis had a big negative effect in Greece, like in the most developed states, increasing the level of interest rates in the ‘markets’ in 6% (March 2010) since they did not trust, yet, this state as a guarantor. Then, the government turned to the solution of International Monetary Fund (with the agreement and help of EU, too) because the fumes of possible bankruptcy increased. Regarding upper data, Greek economy’s very bad performance, mainly in current decade, is culminated by its recourse to IMF and EU for the highest loans that had ever been given (almost 150 billion euro). On the other side of the coin the political and economic process of Greece is controlled by IMF and EU. The situation of Greek workers and youths at this period (working relationships, increase of cuts in public expenditures) is continuously exacerbated by the ‘orders-interventions’ of IMF in the political and economic affairs of Greece in a same way that it takes place in all the states that IMF interferes (Moran, 1998).

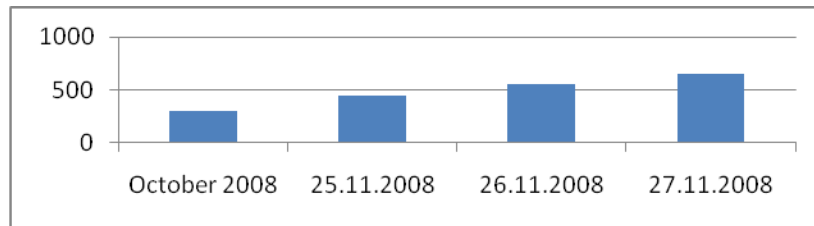
Greece had reached so close to announce its bankruptcy but it preferred to lose its autonomy and go under the control of IMF and EU. Even if Greece had bankrupted or even now that it has lost its political and economic autonomy, it did not behave like a firm, it did not disappear or extinct from the world map, because Greece is not a firm but a territorial unit and, so, it represents much more than a firm. Greece did not stop its route in history because of its very bad economic performance. A bankrupt firm would extinct (Stigler, 1966).

The case of Dubai

Dubai, an emirate among the seven of United Arab Emirates, has been one of the fastest growing economies in the world having its economic basis mainly on oil and real estate. But, it had, also, borrowed huge loans which contributed in a high degree to Dubai’s very high foreign debt of \$88 billion (Economist, 2009). In November 29th of 2008 it announced that it would delay repayment of the debts and economic councils hurried to announce its bankruptcy. The data⁴ regarding this emirate indicate that after 2007 and especially in the beginning of the crisis it had a very bad economic performance.

⁴ Great difficulties were faced in order to collect all the data for Dubai since it is not a separate state but it is in an intermediate situation being a member of the state of United Arab Emirates (it is one emirate of this state): All the available data referred to the level of UAE.

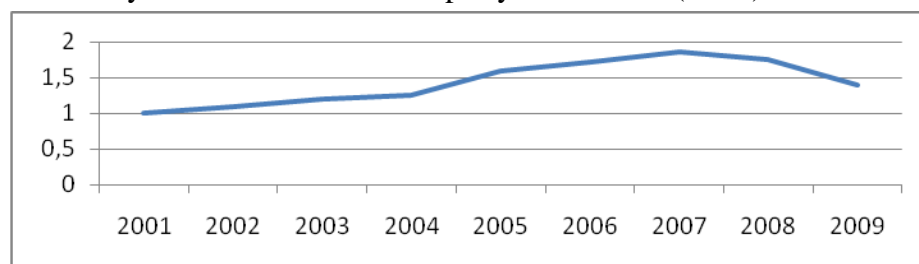
Graph 2: Dubai's CDS



Source: CMA Datavision, 2009

After 1990 the Credit Default Swap (CDS) introduced in the global financial market as the indicator of how risky or certain is to lend in a particular state. It is a derivative contract between the buyer and the seller, in a relationship characterised by the payments of buyer to the seller and the payoff of the seller to the buyer. So, every government has particular CDS which are documented by International Swap and Derivatives Association (ISDA); the highest the CDS are the most risky the lending to this state is and the lowest the CDS are the safest the lending to this state is (Ranciere, 2002). As it is shown in graph 2 the CDS of Dubai increased extremely in the last days of November i.e. in the period that it was announced its delay for the repayments of its debts (from 440 CDS in 25.11.2008 it increased in 650 CDS in 27.11.2008). The debt of the emirate of Dubai has increased dramatically during the last years (Economist, 2009) and almost \$8 billion in one year, from 2007 to 2008 (table 3).

Graph 3: Moody's Real Commercial Property Price Index (CPPI) for Dubai



Source: AGORAFINANCIAL, 2010

The Moody's Real Commercial Property Price Index (CPPI), which was introduced by MIT's Center for Real Estate (MIT CRE) and is published by Moody, is a 'periodic same-property round-trip investment price change index of the U.S. commercial investment property market'. It was firstly used in order to understand the movement of the U.S. commercial real estate prices but later it is used as an indicator in order to ascertain the situation and movement of perspective markets and the collinearity of the risks that could be resulted. So, the highest the CPPI is the most uncertain is the lending to a state while the lowest it is the safest is the lending to a

state. 2001 was the year of the basis (so CPPI is equal to 1) and until 2005 it increases steadily. In 2006-2008 the indicator had a sharp increase which made the lending to Dubai much more difficult and uncertain.

Furthermore, the real annual GDP growth in Dubai had a stable decline from 2005 until 2008 (from 8% to 4,5%) when it decreased by 5,5% in only one year (from 4,5% to -1% in 2009). This graph indicates the decline in economic growth in Dubai which was a result of global economic crisis and affected the emirate's ability to borrow loans for reducing its debt. This entire situation obligated Dubai emirate to announce its bankruptcy. The solution was given by a very high loan which Dubai borrowed from other emirates within UAE.

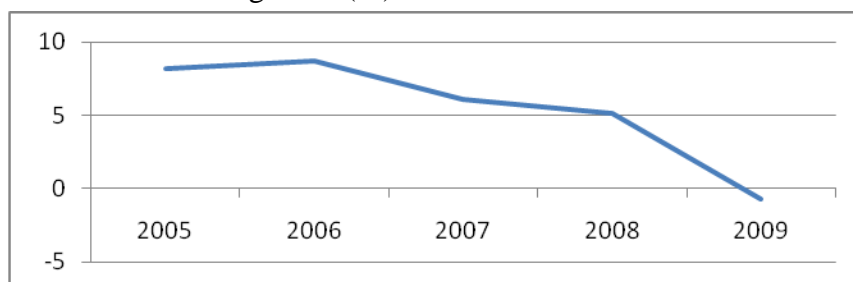
Table 3: Debt of Dubai

2007	\$80 billion
2008	\$88 billion

Source: DSC, 2010

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 or closing after a possible bankruptcy. So, it is considered that territorial competitiveness is under controversy, since competition can only exist among economic subjects with all the characteristics that an economic system has.

Graph 4: Real annual GDP growth (%) in United Arabic Emirates



Source: DSC, 2010

7. Conclusions

In the first part of this paper there has been examined and analysed the concept of territorial competitiveness, the procedure which takes place among territories for attracting investments, residents and events and which has been examined in the

scientific and policy discussion in a high rate. There was a review in the literature regarding territorial competitiveness resulting in the classification of the opinions in three main approaches: defenders, critical and neutral, which satisfied the first two aims of this paper. Each of the three approaches, which have been structured related to territorial competitiveness, has developed an entire theory about the concept. Taking into account the problems that were indicated throughout the examination of territorial competitiveness concept it is strongly considered that this concept is not a self-reliant concept but a derivative one from firms, that its real existence is disputed and that its use as the basis of territorial development has increased the social and spatial inequalities. This could be considered as the answer in the question of the third aim of this paper.

In order to indicate the allegation that territorial competitiveness is not a self-reliant concept but its origins are in firms' competition, there were efforts to show that territories are not systems with all the characteristics of economic subjects, so they cannot compete each other: according to radical political economy only systems with all the characteristics of economic subjects can compete. One of these characteristics is the bankruptcy. In the second part of this paper that it was examined the way that a territorial unit behaves in case of bad economic performance or even after its ostensible bankruptcy and its comparison with a firm's behaviour.

So, above there were quoted data of territorial units, and particularly Greece and Dubai, 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 state political and economic process. 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. Many territorial units disappeared by an institutional change or by merging with another (after wars or change in the local-regional administrative system) but no of them extinct 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, even after the announcement of its bankruptcy. Territorial unit's

system may have bad economic performance, bankrupt and lose its autonomy but until now in current globalised economy no territorial unit has lost its substance and disappeared from global map due to 'bankruptcy' opposed to firms that a great number of them have already disappeared.

Through all the procedure of this paper it is considered that all of the initial goals were achieved because it gave answers to all the initial questions that have been asked. But the research regarding the territorial competitiveness, its origins and its theoretical perspective has many more things to contribute. So, some future research issues could be the direct examination of its real existence or and the examination of case studies regarding the rest of its weak issues (like the role of international trade or the origin determinant factors of a firm performance and whether they are internal or external to it).

ACRONYMS

CDS: Credit Default Swap

CPPI: Commercial Property Price Index

ISDA: International Swap and Derivatives Association

EU: European Union

EU27: European Union with 27 Member States

GDP: Gross Domestic Product

IMF: International Monetary Fund

MIT CRE: Massachusetts Institute of Technology Center for Real Estate

MS: Member States

OECD: Organisation for Economic Co-operation and Development

UAE: United Arab Emirates

USA: United States of America

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