

Kapitsinis, Nikolaos; Metaxas, Theodore

Conference Paper

Territorial Competition: Theories, arguments, policies and lessons of the last 25 years

52nd Congress of the European Regional Science Association: "Regions in Motion - Breaking the Path", 21-25 August 2012, Bratislava, Slovakia

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Kapitsinis, Nikolaos; Metaxas, Theodore (2012) : Territorial Competition: Theories, arguments, policies and lessons of the last 25 years, 52nd Congress of the European Regional Science Association: "Regions in Motion - Breaking the Path", 21-25 August 2012, Bratislava, Slovakia, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:

<https://hdl.handle.net/10419/120738>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Territorial Competition: Theories, arguments, policies and lessons of the last 25 years

Kapitsinis Nikolaos¹, Metaxas Theodore²

¹University of Groningen, Faculty of Spatial Sciences, Landleven 1, P.O. Box 800, 9700 AV Groningen, The Netherlands. Phone: +31626288342; E-mail: n.kapitsinis@student.rug.nl

²University of Thessaly, 43 Korai str., 38333, Volos, Greece. Phone: +302421074917; E-mail: metaxas@uth.gr

Abstract: Much of the current policy and scientific debate regarding territorial development focuses on territorial competition, which is a result of the outspread of competition (the centerpiece in classical and neoclassical political economy) over many aspects of other disciplines except economics, including geographical science. Territorial competition as a concept takes place among territorial units (states, regions or cities) in order to have the highest profits (mainly, economic) for the ‘winner’ territorial unit. This paper makes efforts to shed light on the theories and arguments of the different opinions about territorial competition, the way that the concept is introduced in terms of policy and an evaluation of these policies and their results.

Key words: competition, territorial unit, theories, policies, lessons.

Introduction

According to Porter (1999), the theory that competition is one of most powerful forces for making things better is very compatible with current situation, because competition appears in almost every aspect of our life, including education, health, arts, wealth fare, politics and others. One of these fields is space and geography resulting in the creation of territorial competition.

Territorial competition introduced as a concept both scientific and policy debate and has been discussed in a high frequency during the last 20 years in a background of agreement among scientists of different disciplines 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, 1998) for each territorial unit. Territorial competition is a phenomenon which takes place among territorial units (states, regions or cities) in order to have the highest profits (mainly economic but also developing and social) for the ‘winner’ territorial unit.

There are many scholars who have participated to the scientific discourse regarding territorial competition, some of them defending it and others dealing with it in a critical way. The basic difference and disagreement between these approaches is whether competition is a concept which is meaningful on both territorial and firm level or only on firm one and whether territories compete in the same way as firms do. These conflicting approaches differentiate in many issues including, among others, whether the determinant factors of firm performance are internal or both internal and external to the firm, whether the territory aims at development for its own sake or for competing to others and whether a territory can bankrupt like a firm. This paper makes efforts for a review of this discussion in the last 25 years.

The debate over this territorial competition is quite important since over the last 20 years has focused on territorial competition, through a transition from traditional territorial policy to territorial competition which is quite different to the previous. Especially in market integrations, like EU, territorial competition has been the centerpiece of territorial and cohesion policy. Territorial competition was introduced in policy in the period of globalization, characterized by increasing complexity and density of global supply chains, by internationalization of market and trade by opening national borders and, mainly, by high accumulation of wealth in large multinational corporations and elites who benefit from them (Harvey, 2005). These important changes have been processed by national policies which support and are promoted by dominant school of thought, neo-liberalism. This research studies the way that territorial competition was introduced in territorial policy.

However, there are doubts regarding whether this policy results in an equal way of territorial development, i.e. whether there is divergence or convergence. So, this situation, of the territorial competition existence in the centerpiece of territorial development policy, largely increases the significance of this study. In this paper there are efforts to evaluate the results of this kind of policy and to show what the institutions, the policy-makers and the scientists can learn from these results.

This paper aims at studying the concept of territorial competition in depth by extensively reviewing the last 25 years of its development. In the first part this paper quotes the different approaches and their related arguments in an effort to investigate the theoretical context that the concept is introduced in the scientific and policy affairs. In the second part this study focuses on the way that territorial competition is applied on territorial development policy and its results in the territorial inequalities.

In such a way it indicates the lessons that we could consider over this period, participating in the same time to the scientific dialogue regarding territorial competition.

Theories, arguments and opinions: Against or in favor?

So, in this scientific discussion that has taken place during the last 25 years about territorial competition there has been a distinction between scholars who defend the concept, some others who fairly dispute it and some others who are between them. Below, the theories, opinions and arguments of these approaches are quoted.

In favor of territorial competition: the theory

Throughout evolution of economic geography, mainly during the last 25 years, there have been many scholars who have introduced the concept of territorial competition, meaning competition among territories (states, regions, cities). Many definitions regarding territorial competition have been proposed:

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 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)

According to Reinert (1995), a territory competes in order to create the conditions for a rise of its standards of living. A territory is competitive when it is capable to attract and keep economic activities while the standards of living maintain stable or increasing (Storper, 1997). Also, through territorial competition the economy of a territory (mainly one of the winners) can provide an increasing standard of life for its inhabitants (Malecki, 2000). It is not only the marketing or the attempts for “selling” the products-territories, but also the improvement of the factors that make the territory attractive for investment and migration (Malecki, 2004), in the struggle of territorial competition.

Porter introduced the concept in new era, ‘new territorial competition’ in 1990 with his work and views on competition which takes place among nations and states. He equalized territorial (mainly national) competitiveness with productivity (Porter,

1990: 6). Porter claimed that the regions compete for providing the best possible working conditions for the sector of business. Additionally, he emphasizes on the role of clusters (which represent a combination of competition and co-operation) and their positive impact to the competitive advantage of the locations (2000). He focuses (1999) on the 'quality' (the ability to achieve and maintain the quality of products) and 'innovative' (the ability to innovate) dimension: these two dimensions of competition meet conditions which are external to a firm.

This connects with the opinion that the territories must be 'themselves competitive' and not just the place of the competitive activity of firms (Courchene, 1999). Porter relates national competitiveness to some crucial factors, well known as the 'National Diamond', including factor conditions, firm strategy structure and rivalry, demand conditions, related and supporting industries.

It is broadly accepted that competition is a zero-sum game; it has winners and losers: the most powerful players win and the many weak players lose (Marx, 1844). 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 take place 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'. In this way of thinking, it is considered that the most competitive territory wins.

The basic question and discussion within defenders' approach is whether the territories compete in the same way that the firms do and whether territories could be considered as products. Cities and regions could be considered as products (Van den Berg and Braum, 1999). They compete in the same way that firms do, because marketing refers to the needs 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.

Against territorial competition: the arguments

In the fields of spatial economics, competition has been applied into three different levels: 1.the firm 2.the industry 3.the nation (territory). First of all, this approach claims that firm's competition is the most meaningful level (McFetridge, 1995). A direct extension of competition from firms' to national level is *a priori* faulty (Yap, 2004).

Territorial competition is a meaningless and useless concept and a result - derivative of firms' one (Krugman, 1996). According to Krugman (1997), 'competition 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 competition 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 some important reasons that territorial competition is a dangerously misleading concept:

- Urban, regional and national environment is very important for firm competition but not determinant (Krugman, 1997): the determinant factors of firms' performance are internal to them (cost efficiency, innovation and marketing).
- Territorial units cannot go out of business like firms (Krugman, 1997: 6).
- Growth is a concept at which a territory aims for its own sake and not in order to compete with 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, living standards depend, mainly, on domestic market and policies' factors (Krugman 1994; Yap 2004).

Territorial competition 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 *et al.*, 2004). Thus, what is the meaning of a war between territories? According to Krugman (1996) it has no meaning and no usefulness.

Weak issues of territorial competition

Talking in general, competition is a relative term because what is important is the quality of one's performance relative to other (Fagerberg, 1996). In an effort to summarize the theories and arguments on territorial competition there have been indicated some important weak issues (table 1).

Firstly, there seems to be problems regarding the definition of territorial competition: there has not yet been a clear definition that will be generally accepted (Malecki, 2002; Bristow, 2005). Furthermore, there are many problems with regards to measuring and indicators of territorial competition. A totally accepted indicator has

not been found yet or three have been found many but there is not a general agreement for it (Begg, 1999).

The scholars who defend territorial competition claim 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 with the others (Krugman, 1997).

Table 1: Weak issues of territorial competition

1.no clear definition and measurement generally accepted (Bristow, 2005)
2.living standards are always determined by internal factors (Krugman, 1994)
3.determinant factors for the firms' performance → internal to firms (Krugman, 1996)
4.Territories cannot go out of business like firms do (Krugman, 1994)

Source: Own elaboration

Territorial (national, regional or urban) environment and space are very important factors for a firm's performance but they are not the determinant ones. The determinant factors of firms' success are within firms' environment (Krugman, 1997). Especially regarding multinational enterprises the factors that drive the re-investment process in regions are internal in them and totally disconnected with territories (Phelps *et al.*, 2003; Tamásy, 2006). But even non-multinational firms are, also, greatly affected by international networks in which they participate (Tracey and Clark, 2003). Firms' innovation, a very important concept for territorial competition (Capello and Fratesi, 2009), is affected by both firms' internal and regional factors in an equal way (Bristow, 2005). In many cases the internal factors are much more important than regional one (Sternberg and Arndt, 2001).

Regarding the question about the way that territories compete and whether it is the same to firms' competition, the agents and their powers are different and competition is moderated by other resource-allocation mechanisms. It would be, also, useful to examine the way that a territory behaves in case of bad economic performance. 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'. However, territorial units cannot bankrupt like firms, cannot extinct (Krugman, 1994). Maybe for a state or for a region, bankruptcy does not mean extinction but loss of sovereignty 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.

Policies: Territorial competition as the centerpiece of territorial policies

It is generally admitted that in the last twenty years the basis of planning the territorial development (mainly regional one) is territorial competition, i.e. plans and projects that have in core the transition in as much as it is possible competitive territorial units. It has been largely promoted by institutions and organizations like EU and OECD by introducing the goal of regional competitiveness. The language of competition could be characterized as the language of the business community (Bristow, 2005).

OECD (1996) defined competition (in a general level) as 'the capacity of firms, regions, places to produce high level of income and employment'. An important issue is that OECD defines competition for all the subjects (firms and places) without separating them, claiming that regions and places compete in the same way that the firms do.

The case of EU

EU is a market integration with open borders and based on the principles of competition (Lapavitsas, 2010) and policies focused on this concept in many different fields. Space could not be an exception. In EU the concepts which are the pillars of territorially policy are two: integration and territorial competition. These two, according to the Commission, are drivers to development (Cheshire *et al.*, 1988).

In order to understand better the situation regarding the policies for (territorial) cohesion in EU it would be useful to make a historical overview: both in terms of policy structure and of results.

From the treaty of Rome in 1957, it was decided that one of the community missions is not to distort competition (Commission, 1957), an indication that competition has a major role within EU. In 1973 the first European Regional Development Fund focused on the "regions lagging behind" and the "industrial

regions in decline” (Commission, 2007). The aim of 1986 Single Act regarding regions was to reduce the gap between different regions and the lagging behind of less prosperous regions (article 130) (Commission, 1986).

In the single Act the Structural Funds and their regulations were established. The first period of them (1989-93) specified 5 objectives (Inforegio, 2008: 10): to promote the development and structural adjustment of regions whose development is lagging behind, to convert regions seriously affected by industrial decline, to combat long-term unemployment, to facilitate the occupational integration of young people, to speed up the adjustment of agricultural structures and to promote the development of rural areas.

In 1992 EU treaty was signed, which indicated as mission (Article 2) the “promotion of balanced and harmonious development of activities in EU...of economic and social cohesion...” In this way of thinking the Structural Fund of 1994-1999 period had 6 objectives: the 5 ones of the previous (1989-1993) period plus the development and structural adjustment of regions with an extremely low population density (Inforegio, 2008: 15).

The negotiations for the reform of EU Treaty lasted from 2001 until 2007 finalizing the aim of the Treaty: “...EU to become until 2010 the most competitive knowledge economy worldwide...” (Commission, 2009). These negotiations and in the background of the introduction of regional competition into the policy arena of EU officially, the objectives of 2000-2006 Structural funds were three: the objective 1 remained the same, the objective 2 was to support the economic and social conversion of areas facing structural difficulties and the objective 3 was the adaptation and modernization of policies and systems of education, training and employment (Inforegio, 2008: 19).

During this period (2000-2006) the negotiations for Reform Treaty processed. After 2000, the regional development policies started to focus on growth, competition and employment. Now, the Cohesion Policy was not about a redistribution of funding but about increasing the competitiveness of regions (Inforegio, 2007). All the National Strategic Reference Frameworks and the Operational Programs of the regions aimed at improving their competitiveness.

The third Cohesion Policy Report (February, 2004), entitled “Convergence, Competitiveness and Co-operation”, indicated the objectives of the following Structural Funds period. One of the 4 political priorities for EU should be, according

to the Report, the “sustainable development, the competitiveness and the cohesion” and the priority of the reform of the Cohesion Policy should be to spread the regional competitiveness and employment” (Commission, 2004). As a result, the objectives for the Operational Period of 2007-2013 (Inforegio, 2007: 10) were the convergence (Objective 1), the regional competitiveness and employment (Objective 2) and the European territorial cooperation (Objective 3).

Table 2: The Objectives of each Structural Fund of EU

Structural Funds of Regional Policy	Objectives
1989-1993	Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind; Objective 2: converting regions seriously affected by industrial decline; Objective 3: combating long-term unemployment; Objective 4: facilitating the occupational integration of young people; Objective 5: (a) speeding up the adjustment of agricultural structures and (b) promoting the development of rural areas (Inforegio, 2008: 10).
1994-1999	The first five Objectives are the same with the previous period. Objective 6: development and structural adjustment of regions with an extremely low population density (as of 1 January 1995) (Inforegio, 2008: 15).
2000-2006	Objective 1: the same with the previous periods Objective 2: supporting the economic and social conversion of areas facing structural difficulties, hereinafter; and Objective 3: supporting the adaptation and modernization of policies and systems of education, training and employment (Inforegio, 2008: 19).
2007-2013	Objective 1: Convergence Objective 2: Regional competitiveness and employment Objective 3: European territorial cooperation (Inforegio, 2007: 10).

Source: Inforegio, 2007 & 2008, Own elaboration

EU has established commissions and councils which analyze, examine, present and propose principles and policies related to territorial units’ competition and competitiveness. EU gives to territorial competition (one of the Lisbon Treaty goals) 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).

Taking into account the above information, we consider that EU cohesion policy gradually moves towards a territorial competition and competitiveness and economic efficiency policy which is much different from the concepts of harmonious development, regional convergence and spatial equity.

The main goal of territorially competitive policy is not the (socio-)spatial equity, as traditional spatial policy was aiming at, but the economic efficiency (Cheshire and Gordon, 1996). This is the most important difference between them: territorial competition 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 will be in the 'periphery' of EU. Setting economic efficiency as the main goal, unfortunately, may lead to spatial divergence since there are some places which are winners and some others which are the losers.

A second difference is that territorial competition concept is locally based while traditional regional policy is nationally based (Lever, 1999). 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.

Lessons: The results of territorial competition policy

As it concerns the results of territorially competitive policy, there are not benefits for all the people: The winners are those who own property and will benefit in proportion to their ownership and some employees with specific and scarce skills in elastic supply. On the other hand, the majority of people, i.e. those on fixed incomes 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.

In the European context, territorially competitive policies serve positive ends (Logan & Molotch, 1987). Keating (1991) believes that territorially competitive policies are a waste of resources. Regions in competition can only make 'normal' profits on their subsidies. Territorial competition policy results in economic efficiency and not in social and spatial convergence. Competition does not mean or result in equity (Lovering, 2001).

Regarding the results of this Cohesion Policy and the Structural Funds, which are based on Territorial Competition and economic efficiency concepts, there is evidence that they produced only a temporary rise in economic activity and

employment and after a certain period the situation is the same as this without the funds, especially in the States of periphery of EU, due to the absence of externalities (Christodoulakis & Kalyvitis, 2000). The same reason causes a spatial differentiation of the impacts of Cohesion Policy (Bradley, 2006). Dall'erba and Le Gallo found that on contrary Cohesion Policy may have some positive effects but only in a long-run period, years after the implementation, as Varga and Veld (2011) found in a research about 2000-2006 Structural Funds and Becker et al. (2010) for the three first programming periods. Also, in a period that core regions could have largely diverged from periphery regions, Cohesion Policy restrained these centripetal forces stabilising regional inequalities (Rodriguez-Pose & Fratesi, 2004), acting, however, in a non-proactive but pathetic way. Summarizing, Cohesion Policy, even if it had some positive effects, especially in employment (Martin & Tyler, 2006), never had the desirable results of spatial equity, maybe because its goals were in a wrong direction (economic efficiency) especially in the most recent programming periods.

There is evidence that EU Member States (MS), which from 15 became 25 and now 27, converge through time at least until the crisis of 2008 (Heidenreich & Wunder, 2008). On contrary, within EU, the regional divergence dynamics dominate according to many scholars who studied the regional inequalities in EU based on different indexes and different databases, in different periods and with different ways (Cardoso, 1993; Heidenreich, 2003; Heidenreich & Wunder, 2008; Petrakos & Artelaris, 2009; Beckfield, 2009; Petrakos et al., 2011). So, there is evidence for slow convergence among states (international level) and divergence among regions (interregional level) within the states (McCann, 2008).

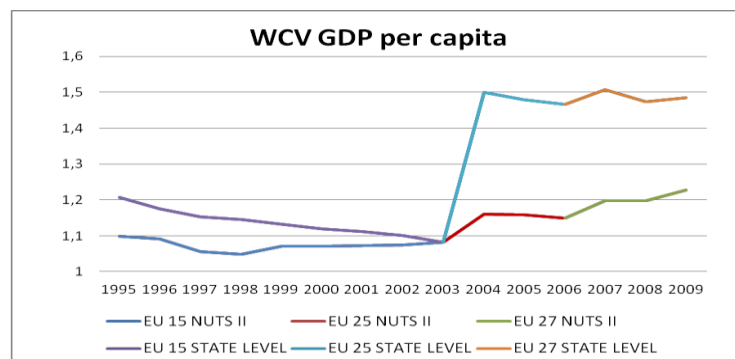
In a background that the big majority of scientists admit that the economic, social and cultural characteristics of each region largely differentiate the space and that the market forces cannot result in convergence, the policy may determine convergence trends (Cardoso, 1993). In this way of thinking the study of cohesion policy becomes more significant. However, it should be always considered, that the division between core and periphery MS (or South and North) is inherent to the architecture of EU and this becomes more obvious than ever after 2008, i.e. in the period of global economic crisis (Lapavitsas, 2010) which affected mostly the MS of the periphery of EU (Greece, Spain, Portugal, Ireland, Italy).

In order to understand in a better way the results of each type of territorial development policy it would be useful to examine some important indexes for the

regional development in EU. It would also be useful to check whether our findings verify previous research, presented above. The Weighted Coefficient of Variance (WCV) is used in order to measure the regional inequalities without ignoring the population and its size and without applying the simple Coefficient of Variance (CV) which is more suitable for measuring interpersonal inequalities (Akita & Miyata, 2010). In one year (as a picture of the time) the highest the WCV is, the highest the inequalities are.

At this point, the gradual Eurozone establishment in 1999 and the two big enlargements of EU during the last 10 years must be taken into account. These two enlargements were the biggest in EU history and each time (2004 and 2007) increased the level of inequalities within the Union since, new and more, poor states with weak regions were accessing EU. In addition, global financial crisis which struck Europe in 2008 affected national and regional economies in a different way and should be accounted when national and regional inequalities are measured (Tomaney et al. 2010). In the below graphs the evolution of geographical inequalities are indicated for the MS of EU of each period (15 MS until 2003, 25 MS until 2006, 27 MS after this). In the EU of 15 a convergence of GDP per capita in national level is noticed while in regional level its evolution has wild fluctuations (Graph 1). After 2003 and 2006, and the biggest enlargement ever, inequalities largely increase; in the state level the divergence is absorbed and there is almost stability after 2008 while in regional level the divergence is obvious. In order to study in a better way the impact of territorial competitive policy it is useful to focus on the years after enlargements that new weak and poor regions accessed EU.

Graph 1: WCV GDP per capita

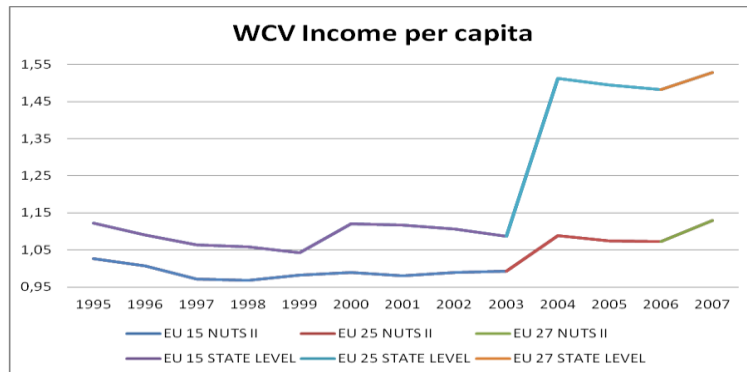


Source: Eurostat (2012), Own elaboration

The divergence which is expected to take place in the first years (since ‘old’ strong and weak regions co-exist with ‘new’ weak, in their majority, regions) remains

in the following years something which shows that territorial competitive policy cannot control the market forces and contribute to a decline of inequalities.

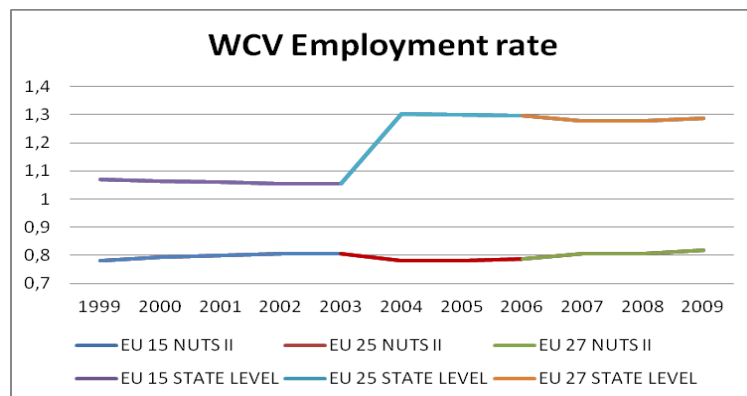
Graph 2: WCV Income per capita



Source: Eurostat (2012), Own elaboration

Almost the same situation is shown in terms of Income per capita (Graph 2) with the difference that the convergence trend is not certain in the period 1995-2003 and that the official data end in 2007. Taking into account the results in GDP per capita it is considered that in the certain situation of the opening of the borders that implies in gains for the strong and rich regions (Krugman, 1991) the Cohesion Policy does not seem to enhance the poor ones in the spirit of European solidarity and spatial and social equity through a supportive and redistributive direction. On contrary, territorial competition policy aiming at economic efficiency seems to enhance the wealthy and strong regions which benefit anyway from initial conditions and the opening of borders. The question whether the weak regions can stand in an environment of territorial competition and compete the core regions becomes, in such a way, reasonable.

Graph 3: WCV Employment rate



Source: Eurostat (2012), Own elaboration

Finally, concerning employment rate (Graph 3), the situation is a little different. In Regional level the WCV is almost stable for the last 10 years (with a small tendency to divergence), so the inequalities remain stable while in State level, divergence took place in the year of 2004 (the first and big enlargement) when the low-employment eastern states accessed EU.

Criticism - Dangers

As a result, there is much criticism about the use of territorial competition as the core of regional development policies. Territorial competition is buzz word, i.e. it is used widely but vaguely, without its real meaning and outside from its theoretical and technical context (Fagerberg, 1996). Moreover, scholars who defend territorial competition have very simply assumed that what applies to the level of firms, like competition, can be transferred to other entities like territories and that this is not only a belief or opinion of them but the concrete reality (Bristow, 2005). Bristow, also, claims that the acceptance of territorial competition in the policy and its measurement have taken place without dealing with many important questions regarding it.

According to Jessop (2008), territorial competition 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. Until now, the result is a narrow unsophisticated and 'de-contextualized' meaning of territorial competition which could be named as 'placeless' (Bristow, 2010).

Additionally, territorial competition is introduced in a background which is characterized by the lack of any effort to conceptualize regions as territorially defined social aggregations, each of them with its own economic and political characteristics (Lovering, 1999). According to Cheshire (1999) two problems may occur regarding the focus of policy on territorial competition: 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.

Discussion

This paper makes efforts to shed light on the theories and arguments of the different opinions about territorial competition. So, concerning all the problems regarding territorial competition that were quoted above and with kind respect to all the approaches we could argue that territorial competition tends to be a misleading and dangerous concept for territorial development and spatial equity since it aims at

economic efficiency. Taking into account the theory and the arguments territories are obliged by the policy to participate in a war among them, trying to be the most competitive.

However, this is not a case like firms' competition. It is much different since territories are not single entities which aim at profits and since they have a quite different behaviour in case of bad economic performance; they do not extinct when they bailout but in the worst case they lose their sovereignty. After this, we examined the introduction of territorial competition in policy and how it results in increasing territorial and social-interpersonal inequalities (Cox, 1995).

Concerning the way that territorial competition is introduced in policy terms this paper focused on EU case. We start from the fact that the majority of the scientists agree that the specific economic, social and cultural characteristics of each region largely differentiate the space and that the market forces in their own and without control result in divergence. In this background and taking into account that the general profile of EU policies originates from neoliberal school of thought (Lapavitsas, 2010), it is important to examine the goals and the results of EU Cohesion policy.

In order to do this, a historical review of Cohesion Policy, structural funds and their goals was made. The conclusion is considered to be that Cohesion policy, through time, moves towards a territorial competition and economic efficiency policy rather than harmonious development, regional convergence and spatial equity policy. This was found in both the general direction and the specific goals of each period.

Keeping in mind the big question whether Cohesion policy should be or not a redistributive means, Cohesion Policy, even if it had some positive effects, especially in employment (Martin & Tyler, 2006), never had the desirable results of spatial equity, maybe because its goals were in a wrong direction (economic efficiency) especially in the last programming periods (2000-2006, 2007-2013). In other words even if it supplied some weak regions with development funding, this was not enough: the rates of development (growth, employment, income) in the weak regions have been lower, through time, than the rich regions.

The results of this process (which could be considered as a type of small transition since in the beginning of Cohesion policy there were the goals of spatial equity and harmonious development, even if they were not the basic) show that territorial competition policy cannot absorb the centripetal forces of market

integration, geographical differentiation and enlargement of EU; on contrary in an open economy environment territorial competition policy, aiming at economic efficiency and not at geographical equity, seems to enhance the already, and definitely winners, strong regions resulting in geographical and social divergence.

This should largely concern the institutions and policy-makers who design the strategic spatial and social policies targeting and focusing on territorial competition. This concept should be avoided in terms of policies since it puts regions and states in a meaningless war against them keeping out of the field concepts and policies of cooperation, attractiveness, harmonious development, redistribution and socio-spatial equity.

Literature

Akita, T. & Miyata, S. (2010) The bi-dimensional decomposition of regional inequality based on the weighted coefficient of variation. *Letters in Spatial and Resource Sciences* 3, 91-100.

Becker, S., Egger, P. & von Ehrlich, M. (2010) Going NUTS: The effect of EU Structural Funds on regional performance. *Journal of Public Economics* 94, 578-590.

Beckfield, J. (2009) Remapping Inequality in Europe: The Net Effect of Regional Integration on Total Income Inequality in the European Union. *International Journal of Comparative Sociology* 50.5-6, 486-509.

Begg, I. (1999) Cities and Competitiveness. *Urban Studies* 36.5-6, 795-809.

Bradley, J. (2006) Evaluating the impact of European Union Cohesion policy in less-developed countries and regions. *Regional Studies* 40.2, 189-200.

Bristow, G. (2005) Everyone's a winner: problematizing the discourse of regional competitiveness. *Journal of Economic Geography* 5, 285-304.

Bristow, G. (2010) Resilient regions: re-'place'ing regional competitiveness. *Cambridge Journal of Regions, Economy and Society* 3, 153-167.

Camagni, R. (2002) On the concept of territorial competitiveness: sound or misleading?' *Urban Studies* 39, 2395-2411.

Capello, R. & Fratesi, U. (2009) Modeling European regional scenarios: aggressive versus defensive competitive strategies. *Environment and Planning A* 2009 41, 481-504.

Cardoso, A.R. (1993) Regional Inequalities in Europe – have they really been decreasing? *Applied Economics* 25, 1093-1100.

- Cheshire, P., Hay, D., Carbonaro, G. & Bevan, N. (1988) *Urban Problems and Regional Policy in the European Community*. Report for Commission of the European Communities, Luxembourg.
- Cheshire, P. & Gordon, R. (1996) Territorial Competition and the predictability of collective (in)action. *International Journal of Urban and Regional Research* 20, 383-399.
- Cheshire, P. & Gordon, R. (1998) Territorial Competition: some lessons for policy. *The Annals of Regional Science* 32, 321 –346.
- Cheshire, P. (1999) Articulating the gains from integration. *Urban Studies* 36.5-6, 843-864.
- Christodoulakis, N. & Kalyvitis, S. (2000) The Effects of the Second Community Support Framework 1994-1999 on the Greek Economy. *Journal of Policy Modeling* 22.5, 611-624.
- Commission of the European Communities (1957) *The Treaty of Rome*. Brussels: European Commission.
- Commission of the European Communities (1986) *European Single Act*. Brussels: European Commission.
- Commission of the European Communities (1999) *Sixth Periodic Report on the Social and Economic Situation and Development of Regions in the EU*. Brussels: European Commission.
- Commission of the European Communities (2004) *A new partnership for Cohesion. Convergence Competitiveness Cooperation*. Brussels: European Commission.
- Commission of the European Communities (2007) *History of the Community Regional Policy*. Brussels: European Commission.
- Commission of the European Communities (2009) *Lisbon Treaty*. Brussels: European Commission.
- Courchene, T. (1999) Ontario as a North American Region State. *Paper presented at the Global City-Regions Conference*. UCLA School of Public Policy and Social Research, Los Angeles, USA 21-23 October 1999.
- D'Arcy, E. & Keogh, G. (1999) The Property Market and Urban Competitiveness: A Review. *Urban Studies* 36.5-6, 917-928.
- Derruau, M. (1976) *Geographie Humaine*. Paris: Armand Colin-Collection.
- Eurostat (2012) European Statistical Agency. Available at <http://ec.europa.eu/eurostat>

- Fagerberg, J. (1996) Technology and competitiveness. *Oxford Review of Economic Policy* 12.3, 39-51.
- Harvey, D. (2005) *A brief history of neoliberalism*. New York: Oxford University Press.
- Heidenreich, M. (2003) Regional Inequalities in the Enlarged Europe. *Journal of European Social Policy* 13.4, 313-333
- Heidenreich, M. & Wunder, C. (2008) Patterns of Regional Inequality in the Enlarged Europe. *European Sociological Review* 24.1, 19-36.
- Inforegio (2007) *Cohesion Policy 2007-2013. Commentaries and official texts*. Brussels: European Commission.
- Inforegio (2008) *EU Cohesion Policy 1988-2008: Investing in Europe's Future*. Brussels: European Commission.
- Jessop, B. (2008) The cultural political economy of the knowledge-based economy and its implications for higher education. In B. Jessop, N. Fairclough and R. Wodak (eds.), *Education and the Knowledge-Based Economy in Europe*. Rotterdam: Sense Publishers.
- Keating, M. (1991) *Comparative Urban Politics: power and the city in the United States, Canada, Britain and France*. Aldershot: Edward Elgar.
- Kitson, M., Martin, R. & Tyler, P. (2004) Regional competitiveness: an elusive yet key concept? *Regional Studies* 38, 991-999.
- Krugman, P. (1991) Increasing Returns and Economic Geography. *Journal of Political Economy* 99.3, 483-499.
- Krugman, P. (1994) Competitiveness: a dangerous obsession. *Foreign Affairs* 74.2, 28-44.
- Krugman, P. (1996) Making sense of the competitiveness debate. *Oxford Review of Economic Policy* 12.3, 17-25.
- Krugman, P. (1997) *Pop Internationalism*, Cambridge: MIT Press.
- Krugman, P. (1998) Space: the final frontier. *Journal of Economic Perspectives* 12.2, 161-174.
- Lapavitsas, C., (2010) The Greek Crisis - Politics, Economics, Ethics. *Journal of Modern Greek Studies* 28, 293-309.
- Lever, F. (1999) Competitive Cities in Europe. *Urban Studies* 36.5-6, 1029-1044.
- Lever, F. & Turok, I. (1999) Competitive Cities: Introduction to the review. *Urban Studies* 36.5-6, 791-793.

- Logan, J.R. & Molotch, H.L. (1987) *Urban Fortunes: the political economy of place*. Berkeley: University of California Press.
- Lovering, J. (1999) Theory lead by policy: the inadequacies of the New Regionalism. *International Journal of Urban and Regional Research* 23, 379-396.
- Lovering, J. (2001) The coming regional crisis (And how to avoid it). *Regional Studies* 35.4, 349-354.
- Malecki, E. (2000) Knowledge and regional competitiveness. *Erdkunde* 54, 334-351.
- Malecki, E. (2002) Hard and Soft Networks for Urban Competitiveness. *Urban Studies* 39.5-6, 929-945.
- Martin, R. & Tyler, P. (2006) Evaluating the impact of the structural funds on objective 1 regions: An explanatory discussion. *Regional Studies* 40.2, 201-210.
- Marx, K. (1844) [1988] *Economic and philosophical manuscripts of 1844*. , New York: Prometheus Books.
- McCann, P. (2008) Globalization and economic geography: the world is curved, not flat. *Cambridge Journal of Regions, Economy and Society* 1.3, 351-370
- McFetridge, D. (1995) Competitiveness: Concepts and measures. *Occasional paper* 5, Industry Canada.
- OECD (1996) *Industrial Competitiveness*. Paris: OECD publications.
- Petrakos, G. & Artelaris, P. (2009) European Regional Convergence Revisited: A Weighted Least Squares Approach. *Growth and Change* 40.2, 341-331.
- Petrakos, G., Kallioras, D. & Anagnostou, A. (2011) Regional convergence and growth in Europe: understanding patterns and determinants. *European Urban and Regional Studies* 18.4, 375-391.
- Phelps, N.A., Mackinnon, D., Stone, I. & Bradford, P. (2003) Embedding the multinationals institutions and the development of overseas manufacturing affiliates in Wales and North East England. *Regional Studies* 37, 27-40.
- Porter, M.E. (1990) *The competitive advantage of Nations*. New York: The Free Press.
- Porter, M.E. (1999) Clusters and the New Economics of Competition. *Harvard Business Review* November-December, 77-90.
- Porter, M.E. (2000) Location, Competition, and Economic Development: Local Clusters in a Global Economy. *Economic Development Quarterly* 14.1, 15-34.
- Reinert, E.S. (1995) Competitiveness and its predecessors -a 500-year-cross-national perspective. *Structural Change and Economic Dynamics* 6, 25-47.

- Rodriguez-Pose, A. & Fratesi, U. (2004) Between Development and Social Policies: The Impact of European Structural Funds in Objective 1 Regions. *Regional Studies* 38.1, 97-113.
- Sternberg, R. & Arndt, O. (2001) The firm or the region: what determines the innovation behaviour of European firms? *Economic Geography* 77, 364-382.
- Tamásy, C. (2006) Determinants of regional entrepreneurship dynamics in contemporary Germany: A conceptual and empirical analysis. *Regional Studies* 40.4, 365-384.
- Tomaney, J., Pike, A. & Rodriguez-Pose, A. (2010) Local and Regional Development in times of Crisis. *Environment and Planning A* 42.4, 771-779.
- Tracey, P. & Clark, G. (2003) Alliances, networks and competitive strategy: rethinking clusters of innovation. *Growth and Change* 34, 1-16.
- Turok, I. (2004) Cities, Regions and Competitiveness. *Regional Studies* 38.9, 1069-1083.
- Van den berg, L. & Braum, E. (1999) Urban competitiveness, Marketing and the need for organizing capacity. *Urban Studies* 36.5-6, 987-999.
- Varga, J. & Veld, J. (2011) A model-based analysis of the impact of Cohesion Policy expenditure 2000-06: Simulations with the QUEST III endogenous R&D model. *Economic Modelling* 28, 647-663.
- Yap, J. (2004) A Note on the Competitiveness Debate. *Discussion Paper Studies Series* No 2004-39, Philippine Institute for Development Studies.