

Chitea, Mihai Alexandru

Conference Paper

Models for evaluating territorial competitiveness

Provided in Cooperation with:

The Research Institute for Agriculture Economy and Rural Development (ICEADR), Bucharest

Suggested Citation: Chitea, Mihai Alexandru (2015) : Models for evaluating territorial competitiveness, In: Agrarian Economy and Rural Development - Realities and Perspectives for Romania. 6th Edition of the International Symposium, November 2015, Bucharest, The Research Institute for Agricultural Economy and Rural Development (ICEADR), Bucharest, pp. 269-272

This Version is available at:

<https://hdl.handle.net/10419/163312>

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.

MODELS FOR EVALUATING TERRITORIAL COMPETITIVENESS

CHIȚEA MIHAI ALEXANDRU¹

Abstract: *The present study aims to highlight the main models for evaluating territorial competitiveness used at international and European level starting from the following premise: despite the difficulties encountered in the process of defining and understanding the competitiveness term and of numerous and different scientific approaches, there are, though, common elements that can be found at the level of the majority of models for evaluating national, regional and local competitiveness. The paper turns to bibliographic study and comparative analysis, highlighting the main theoretical approaches of competitiveness and the models developed on their basis. Although the indices used within the models present certain specific characteristics derived from the theoretical approach on which it is based, but also implied by the selected aggregation level, there are several central elements that can be found at the level of the majority of evaluation models such as: economic performances, investments level, institutions, infrastructure, education, health and population's welfare.*

Key words: *territorial, regional competitiveness, evaluation models, indices.*

INTRODUCTION

The term of competitiveness was and remains one of the most debated issues of the Academic environment in the last decade, the conceptual framework being far from meeting a large consensus, especially that of competitiveness expressed at macro- economic level. The discussions connected to the opportunity of the term use and its implications upon the global or individual performances, at the different aggregation levels, seem to concentrate the different approaches in two groups, which are : first, those who are contesting the role and opportunity attributed to the notion of competitiveness in the assessment and comparison of the performances of the different territorial aggregation levels and, the second, of the supporters, who consider the term, first, as an expression of the productivity and implicitly of the way in which each entity succeeds in best utilizing the resources (natural, human, technological, financial, of knowledge etc) which it owns and to capitalize as result of the „competitive advantage ”. One of best known adversaries of the macro-economic competitiveness, the economist Paul Krugman states that there are three important points in contradiction with the competitiveness term at national level, which are [4]: it is cheating and incorrect the analogy between a nation and a company; while the companies are competing for the market share, the nations instead are creating opportunities rather to destroy them and, third, according to which the competitiveness term has really a significance, this is another way of saying productivity. Porter and Ketels also support the idea or representing competitiveness through productivity [6]: “Competitiveness remains a concept that is not fully understood despite the large acceptance of its role. To understand competitiveness the starting point should be the source of a nation’s prosperity. The standard of living of a nation is determined by the productivity of its economy which is measured by the value of the goods and services produced per human, natural and national capital units...”Also, inside the group of the supporters of macro-economic competitiveness there is a „consensus view” according to which the improvement of the performances of one nation must not be done in the detriment of others and that productivity in this case is a central element. Many of the definitions elaborated throughout the time by different European and international organizations [2] contain a common idea about competitiveness: the measure with which a nation can produce goods and services that meet the requirements of international markets, providing increasing incomes for its citizens (Presidential Commission’s Report 1984, OECD 1992, European Commission 1999).

The differences of opinion are to be found also at the level of the debates regarding competitiveness at regional or local level. At this level there are two big approaches: one that regards competitiveness as the sum of the individual competitiveness of the firms, and the second, which is considering it as derived from the macro-economic competitiveness. There are authors,

¹ Scientific researcher, The Institute of Agricultural Economics , mihai_chitea@yahoo.com

though, who are supporting the idea according to which the term does not integrally pertain neither of the parts; Cellini and Soci are considering that the regional competitiveness term does not have a majority identity, and macro-economic either, and neither micro economic: regions do not represent a simple aggregation of companies, nor these ones represent a version at a reduced scale of one nation [1].

These approaches, sometimes different, other times convergent, referring to the competitiveness expressed at national or regional level are to be put into practice, into different patterns of assessing the competitiveness utilized at international and European level patterns which are keeping the main characteristics traced by the specific approaches which are sitting at their basis.

MATERIAL AND METHODS

The present papers appeal to the method of the bibliographic study for the evidencing the main scientific contributions in the field of the national and regional competitiveness, of the problems emerged during the process of elaborating a common concept framework for the definition, theoretization and this one's measurement and of the main patterns for the assessment of the national and regional competitiveness at international and European level.

RESULTS AND DISCUSSIONS

As regards the competitiveness expressed at macro economic level, there are more well documented studies and assessment patterns, of which, the best known and influential are: The Global Competitiveness Index, elaborated by the World Economic Forum and the Global Competitiveness Annuary edited by the Management's Development Institute (MDI).

The Global Competitiveness Annuary (GCA) – acknowledges the following fact: “...competitiveness must equilibrate the economic imperatives and the social needs of a nation as it results from the history, the values' system and tradition”. Accent is put, in this case on the GDP/inhabitant, as an indicator of the competitiveness. The main characteristics of the Annuary are:

- It evidences and classifies the ability of nations to ensure an environment in which enterprises can compete;
- The researches are focused upon the competitiveness of the economic environment and not upon the economic performance/ competitiveness in ensemble of one nation;
- A total number of 249 de indicators are grouped into eight groups of input factors: domestic economy, internationalization, government, finance, infrastructure, management, science and technology and people ;
- The national economies are classified according to their performance at each group level.

The pattern presents a series of deficiencies linked first to the volume of the groups and the lack of the analysis of regression type, but it is useful for the identification of the factors specific to a competitive economy: basic infrastructure, a technological one, labor force, management efficiency, research-development costs, and capital costs.

Global Competitiveness Index represents the result of the pattern elaborated by the Global Economic Forum and comprises two sets of indicators: the first, The Current Competitiveness Index (CCI), it utilizes micro economic indicators for the assessment of the set of economic, institutional policies and those regarding the market structures which are sustaining a high level of welfare ; the second, The Growth's Competitiveness Index (GCI), has in view the aggregate competitiveness, this one being regarded as the set of economic and institutional policies which sustains the high growth rates on medium term (the next 5years). The Current Competitiveness Index represents an aggregate measure of the micro-economic competitiveness and has two sub-divisions: one which is measuring the sophistication/ level of the companies' development and other, which is measuring

the national business environment quality. The Growth's Competitiveness Index is orienting upon the measures linked to technology, public institutions and the macro-economic environment.

According to the annual report regarding the competitiveness at global level, for the period 2014-2015, Romania is on 59-th place out of 144 national economies assessed, with a value of the Global Competitiveness Index of 4.30 (scale from 1-7), position registered also in the previous period 2013-2014.

As regards the competitiveness expressed at regional level, there are two big types of approaches:

- First, which is considering competitiveness as a accumulation effect of the factors,
- The second which is focusing upon one determinative factor of competitiveness.

In the followings, we will present a few patterns, representative for the first category: The Regional Competitiveness Index elaborated by the European Commission, The Regional Competitiveness Great Britain (UK DTI), Joint Venture (Silicon valley Network) – the comparative analysis and ECORYS-NEI – study regarding the regional investment climate.

The main characteristics of the mentioned patterns are:

- *The Regional Competitiveness Index–European Commission* [3] : - was first published in 2010, by the Common Center for Research and the General Directorate for Regional Policies; it assesses the strong points and vulnerabilities of the EU regions at NUTS 2 level, offering a comprehensive image of them ; it includes 11 sizes for the description of the different aspects of competitiveness, classified into three groups: **Basic Group**: 1. Institutions, 2. Macro-economic stability, 3. Infrastructure, 4. Health, 5. Quality of the educational primary and secondary system; **Efficiency group**: 6. Higher education, professional training and continuous study, 7. Labor force efficiency, 8. Market size; **Innovation group**: 9. Technological training, 10. Business expertise and 11. Innovation. It divides the regions into three development regions, in function of the GDP/inhabitant in comparison with the EU average: medium (<75%), intermediary (75-100%) and high (>100%).
- *The Regional Competitiveness Index– UK DTI* – elaborated by the Department for Trade and Industry of Great Britain ; it includes into analysis 14 indicators which are measuring the effects of the regional competitiveness; it is divided into 5 sections: general competitiveness, labor force market, education and professional training , capital, land resources and infrastructure.
- *Joint Venture (Silicon valley Network)* – is testing the competitiveness of one region/ zone comparatively with other 10 centers of high technology in the United States; it assesses competitiveness in relation with the following elements: innovation (patents, productivity of RD), entrepreneurship spirit, , global access global (technological export, connectivity of internet), capital financial and intellectual capital , the perspectives regarding the cost of activities' development, life quality; identifies a strong connection between inventions-patents, institutional costs for research, the availability of the risk capital and the presence of high tech companies .
- *ECORYS-NEI* – study regarding the regional investment climate– it represents a method for assessment/ testing / quality measurement of a regional *investment climate*; over 40 regions in the North West of Europe are tested comparatively to the results of the surveys developed at the level of the entrepreneurs established in the respective regions; The variables in the survey – 2 categories: market relationships, with direct impact upon the performance of the company and factors of the productive environment– direct impact direct upon performance. The market relationships variables– 5 categories: access to the customers, suppliers' availability, entrepreneurship and innovation spirit, competition level and cooperation level. Productive environment variables– 6 categories: labor force market, land resources and constructions, infrastructure, infrastructure of knowledge, life quality and regional governance. The results permitted the realization of a *typology of regions*, in function of the performance/ economic vitality and density of population– 6 regional

archetypes regional: spread regions, balanced regions, refuge type regions, vital regions, urban specialized regions and urban quiet regions.

CONCLUSIONS

The Concept framework of competitiveness is proved to be one far from the general consensus, determining the emergence of some confusion, especially at the level of that expressed at regional level. Martin considers that, despite the difficulties of conceptualize the notion and the fundamental questions, the specialty literature retains a series of aspects which are important for the understanding of the regional competitiveness [5]:

- There is no single theoretical perspective to compass the whole complexity of the concept of regional competitiveness;
- From a certain perspective, the regional competitiveness is linked to the ability of a region for generating sufficient levels of exports such that it could support the incomes' increase and of the degree of its' population occupation;
- At the basis of the concept sits both the qualitative conditions and factors (un-transactional informal knowledge, trust etc), and quantifiable processes and attributes (trade among firms, patents' cost, labor supply), having a major influence upon the analysis and empirical measure a of the regional competitiveness;
- Competitiveness of one region represents both the result of the individual competitiveness of the firms constituent and of the interactions between them, and in a larger sense, of the own social, economic, institutional and public attributes.

Regardless the aggregation level, national or regional , there are many patterns for assessing competitiveness the results of which must not be compared but interpreted in function of the characteristics of the elements component and the goal of the investigation. Also, especially at regional level, there is an ample space of action for the elaboration of some patterns for assessment adapted to the present realities in the developing countries, as well as of some local patterns, to assess the performances of some certain zones within some regions.

BIBLIOGRAPHY

1. Cellini R., Soci A.(2002). *Pop competitiveness*. Banca Nazionale del Lavoro, Quarterly Review, LV, 220, pag 71-101
2. European Commission (1999). *Sixth periodic report on the social and economic situation of regions in the EU*. Brussels
3. European Commission (2013). *EU Regional Competitiveness RCI 2013*. Report by Annoni P. and Dijkstra L. Joint Research Centre of the European Commission
4. Krugman P.(1996). *Making sense of the competitiveness debate*. Oxford Review of Economic Policy, vol 12.3, pag 17-25
5. Martin R.L.(2004). *A study of the factors of regional competitiveness*. Final draft report the European Commission, Cambridge
6. Porter M.E, Ketels C.H.M. (2003). *UK competitiveness: moving to the next stage*. DTI Economics Paper 3, Londra
7. World Economic Forum, Klaus S., Xavier, S-iM. (2014). *The Global Competitiveness Report 2014-2015*. Insight Report