



## PUBLIC POLICIES AND TERRITORIAL DIMENSION AS DETERMINANT COMPETITIVENESS FACTORS

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### **Abstract:**

Public policies, is the principled guide to action taken by the administrative executive branches of the state with regard to a class of issues, in a manner consistent with law and institutional customs. The competitiveness is the ability of a ' company, a public institution or a territory to provide competitive goods or services as well the ability to perform and resist on a competitive market. In the analysis of competitiveness is predominating the orientation towards reducing costs, in order to provide the market best possible price; in reality it is necessary to promote a different competitiveness, with emphasis on factors that generate development, and develop public policies from the territorial dimension, aimed at achieving competitiveness and local development.

**Keywords:** territorial dimension, local development, public policies, competitiveness

### **1. Introduction**

The first decade of this millennium has been characterized by a fruitful debate on the redesign of the role of the state in the current conditions of globalization. The debate should be accompanied by a reflection based on the role of public policies; however, this issue has remained largely relegated (especially with regard to the objective of strengthening development) and has remained at minimal levels at sub-national levels.

On the other hand, there is a growing controversy about the relevance of place among the objectives of growth-promoting policies increasing competitiveness and territorial decentralization. Arguments for and against are in abundance in the literature. Currently, all these aspects are also, part of the vast range of debates in the

entrepreneurial ambient. It is therefore of undeniable importance to the country to bring new perspectives to focus holistically the above elements.

This article aims to give some elements to consider in developing policies aimed at territorial competitiveness. It takes as its starting point the same process of defining competitiveness and unavoidable elements such as environmental sustainability and human development are examined.

## 2. Basic elements

### 2.1 Local development

The origin of the theories of endogenous local development can be traced to a distant past. However, the study of the determinants of growth and economic development has gained the interest of economists in recent years. Economists have rediscovered the importance of small variations in the growth rate of an economy for a period of ten years or more in the possibilities of progress of the community. An important part of studies in the field of growth is organized around the neoclassical model and its limitations, and drift into two main strands of research: one aimed at reinterpreting the implications of this model (which is identified by studies "*conditional convergence*") and another that seeks to develop alternatives to neoclassical models. In this last line, endogenous growth models are inserted. Hand the concept of endogenous growth arises in recent decade's endogenous development and, as a reaction to the dominant thinking and practice in territorial development in the decades of the fifties and sixties, local development studies appear. Some authors named variously the local development, "*local endogenous development*" or "*endogenous development*": it is ultimately a symbiosis between territorial development orientation and endogenous nature of the variables.

At this point, regarding local development, Barquero Vazquez (2000) has an useful definition: "*...a process of growth and structural change that occurs as a result of the transfer of resources from traditional activities to modern, from the use of external economies and the introduction of innovations, and generates increasing the welfare of the population a city, a region or a region. When the local community is able to utilize the development potential and lead the process of structural change how development can agree called endogenous local development or simply endogenous development.*"

## 3. Public politics

A cursory review of the history of our most distant ancestors shows more or less elaborate examples of public administration. For example, a city discovered in the mid-

seventh millennium BC in Çatalhöyük, south of the Anatolian peninsula, had houses with structure and each other, very close uniform dimensions. The houses were built of clay and brick, also of uniform dimensions, which implies a division of labor very well organized. Obsidian, raw material for most of its tools, was imported from volcanic sediments located more than seventy miles. Jericho, perhaps the place on earth inhabited for longer by human beings (served as a settlement since 8000 BC, approximately), had a large stone wall built in the sixth millennium BC, a wall that no doubt, exceeded the possibilities of a simple farming village. From the emergence of great empires, public administration is becoming increasingly sophisticated. The Roman government, legislated detail in their legal standards, is a crucial historical background for today.

The origin of public administration as a science is a matter still unresolved. Some authors, such as Gulick and Urwick (1937), Guerrero Orozco (1985), Bañón and Carrillo (1997) and Benito (2002-2003), agree to consider as a starting point for studies of public administration 1887 on Woodrow Wilson's, the study of management. Along with Woodrow Wilson, Max Weber also it considered a "classic" of this discipline.

Public policies promoted by governments and implemented by the government, have been defined in many ways: from the minimalist formula Dye (*"what governments do or not"*), through the definition of Jenkins (*"group interrelated concerning the selection of goals and the means to achieve the "*), to the concept of Jam Masso (2008), used as a guide in this analysis decisions, according to which public policy can be understood as a course of action proposed by a government to solve a need or seize an opportunity to be expressed in specific preferred outcomes related to real effects.

#### **4. Competitiveness**

Globalization has placed competitiveness at the center of debate and has given it a privileged place in economic policy strategies worldwide. Raising the capacity and speed of adaptation of nations, territories and businesses to this global environment becomes important to sustain the growth potential medium and long term weight. Despite the widespread use of the term *"competitiveness"*, there is no unanimity of views on the concept, how to measure it, and its implications for economic policies.

The traditional view on competitiveness linked to the business results, ie the ability to maintain or increase steadily the market share of a country or sector in the world market (including own domestic market). However, modern growth theories define competitiveness as the ability of an economy to achieve sustained improvements in living standards relative to rationally acceptable standards. This view emphasizes the importance of productivity in improving competitiveness: means supply policies aimed

at the creation and dissemination of knowledge, an appropriate business environment, markets for goods and services that are flexible to adapt to technological change and changes in the international context.

For many authors competitiveness is associated with preservation of low costs, the degree of external integration of a country or an industry at the rate of change, technological leadership, and even the rate of growth of a country. In this sense, Cohen (1994) states that competitiveness is a review of a large set of indicators, none of which tells the whole story, but together they provide a source of highly legitimate attention. Indicators handled in some cases refer to a state of affairs, but the behavior of a social group, in which the idea of competitiveness is associated with the rivalry.

There are essential factors that can be considered not only as a definition of the phenomenon, but as a working tool when "*create competitiveness*". First, it is important to talk about competitiveness without limiting the concept to the scale of countries to include the regions, territories and businesses. Without wishing to make a more complex analysis, suffice it to say that some territories are due to its competitiveness, almost a different nation within another (eg Veneto in Italy), and some transnational corporations have annual incomes exceeding GDP not a few countries. Moreover, the search for comparative advantages able to increase market participation should not be separated from an increased standard of living of the population. This increase should not be viewed solely as a result of income earned in the market, but during the same production process of the organization. Competitiveness based on the worsening socio-economic conditions (low wages) may not be desirable from a human point of view, and is not desirable from economic rationality; it does not guarantee its sustainability.

The importance of sustainability of long-term competitiveness is elementary. However, in just a few decades several factors can be seen (including some non-economic) that have evolved to substantially affect its performance. Evils like corruption, armed conflict and drug trafficking, for example, affect everyone in one way or another, although it can be said that their most critical manifestations are confined to restricted geographical areas. Environmental sustainability, moreover, is not a hot topic as some argue: the natural deterioration of the environment directly affects the economic performance of firms, regions and countries. So the effort to reduce costs to increase competitiveness cannot be based on the exploitation of natural resources, as if they were eternal. Some companies have learned the lesson the hard way: by losing significant resources have been forced to make large investments to develop new technologies or relocate.

Considering these aspects, competitiveness can be defined as the ability of a region, country, territory or locality, sector, company or organization to achieve and maintain a leading position in the socioeconomic environment in which it operates,

through a successful performance based on constant innovation and improvement of the quality of your product (economically and environmentally sustainable in the long term), so that, by its results and how they develop their work processes, socio-economic welfare is provided.

#### **4.1 Public policies for territorial competitiveness**

To associate the focus of competitiveness and focus of territorial policies is useful to recall, following Albuquerque (1997a), that notions of endogenous development, responsibility of regional governments, support for small businesses and local service delivery support production are at the heart of the concept of systemic competitiveness, a concept that has been one of the touchstones of modern competitiveness prospects. You are, from these notions can be connected policies with the aim of increasing competitiveness with local issues. The insertion of the territories in the international context is as important as elusive task. Industrial, sectorial and other policies generally centralized are not necessarily guaranteeing the success of each of the territories. Consequently, it is essential to draw other policies that allow the insertion of the towns: you have to start raising the competitiveness of each.

In practice, the thesis of "*spillover*" of the positive effects generated by the economic growth concentrated in urban centers and large enterprises has not been demonstrated. Beyond the recurring image of the locomotive that drags behind it the growth of developing territories, a metaphor that best fits the reality is necessary. Incorporating segments of the population of the developing territories - through the promotion of projects and job creation at the local level, in a manner consistent with the real demands unmet food, housing, clothing, environment and quality of life - is a type of intervention that social policies can overcome their often merely welfare approach to become levers of productive development with social equity and environmental sustainability.

The local endogenous development policy differs from traditional industrial policy, to the extent that the first focuses on the SME and microenterprise - as well as the creation of new innovators - companies, and the second usually take sides in favor of big business. This does not mean that both large national companies and transnational - and productive linkages that may be generated in the territory from them - not to be the subject of interest for local economic development: what we want to emphasize is the paramount importance SMEs, which embody the majority and most vulnerable part of the business and also constitute a group which generally depends on a considerable part of growth and employment in many of the territories of a country. However, in practical terms, if we place the theory in a consistent environment with the Latin American reality, there are at least three points on which both

approaches can be controversial. First, the emphasis on small and medium enterprises because of its hypothetical greater flexibility with respect to large. This hypothesis is real, but is found mainly in companies that have the capacity to move towards production models or flexible specialization. In developing countries with flexible organization companies are an exception: it is very difficult to see flexible production as the direction in which the typical Latin American company moves, even in more developed geographical areas. Second, implement policies geared towards small business in regions where priorities are focused on industries such as mining, large-scale processing, heavy or the like, can be totally dissonant with reality. Finally, possibly the largest discrepancy of endogenous local development policy with respect to the usual local policies lies in the definition of the level that should focus attention. Generally, local policy goals and instruments are focused on the region or people, often interchangeably. support regions for political reasons, national balance or similar consideration is given or training people rests, are offered unemployment insurance or other alternatives to reduce adjustment costs. There are not many cases where the emphasis is on companies, individuals and throughout the country, with the aim of finding a comprehensive and sustainable development. This would be a key factor achieving progress.

In this process, it would be useful to distinguish three types of policies:

1. Centralized regional or local impact policies (this is the traditional policies decided from the center, but with a significant impact at the decentralized level).
2. Non-participatory decentralized policies (a policy to be decentralized and that the focus of power has been transferred from the center to an intermediate entity, as may be a state or a municipality, does not guarantee anything a priori in terms of greater participation).
3. Decentralized and participatory policies, or "*bottom-up policies*" (bottoms-up).

To the extent that progress is made from the first to the third of these policies, greater efficiency must be achieved in terms of correspondence with objective reality, resources, innovation, and meeting the needs of the territory.

#### **4.2 Policies for training and development of human resources**

Regarding policies for the training and development of human resources, it overlaps with the proposal by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) line, which focuses on three routes: education with emphasis on studies secondary (continue training of human resources already occupied); encourage companies to develop specialization and improvement efforts; and improve and target the supply of training services.

### **4.3 Education of the employed labor force**

Improving primary education can improve the productivity of the industry, but such an impact will only last place fifteen years when the beneficiaries of this change are most occupying the jobs. While it is necessary to pay attention to the training of human group to enter the labor market past fifteen years to solve the immediate problems of productivity must improve training within the company as well as adult education.

In countries where the situation is more serious (Brazil and Jamaica, for example) it has been proven that companies should teach language, writing and arithmetic, because they face two choices: wait for the qualifying offer which will then fifteen years or accept staff they have and fulfill the role that primary education is not fulfilled. It is important to establish incentive mechanisms for companies to see the effort territory training as a less onerous agreement and include in their training curriculum -at education centers for adults some own cognitive needs of the locality influencing development.

### **4.4 Boosting business demand**

Companies developing countries get less training than optimal, because they consider it a waste or because they think that if you train a worker this can leave the company and, therefore, the benefit of the training is for him and not for the company. To advance the solution of this problem should be given direct incentives aimed at employers to take greater interest in training their workers. If you really think that training is an important part of the solution to the problems of underdevelopment, what you have to do is provide access to the necessary funds to carry out and support the entrepreneur so you can define precisely its demands in relation to those services. It should increase the profitability of training for the company and, secondly, to establish appropriate mechanisms for the employer knows the existence of available incentives (incentives to be simple application). Should create mechanisms for dissemination and awareness that business knows these stimuli and respond to them appropriately.

### **4.5 Improvement and targeting of offering training services**

W. Peres (1994) has abounded about the importance of state action is concentrated on a few core activities and not try to cover everything related to training: it is to achieve an improvement in the quality of supply in the public sector and supplement it with private training, using all the mechanisms that are possible to improve the quantity and quality.

While encouraging companies to develop training efforts can be, without doubt, an important tool in raising the level of human resources of a country or territory, it has

a limited scope. They train companies, but only according to their needs. This type of effort can ensure the survival and growth of the company, but the sector's growth (or development of new and more advanced activities) would be subordinated to the interests of transnational corporations, their demands and performance requirements. The only way we can break the vicious circle (characteristic of developing countries) made up of companies that cannot advance technologically and other subsidiaries of transnational -the which locate their higher value-added activities elsewhere-is through state intervention .

The State should develop training efforts aimed at the "*core activities*" and also directed the development or introduction of technologies capable of creating the necessary human resources base for industrialization of higher quality. Similarly, plans for vocational and technical training must be adjusted with the aim of adding to the established knowledge in accordance with the general requirements that respond to the specificities of each territory.

#### **4.6 Public policies for the protection of natural resources**

Natural and energy resources are an important source of comparative advantage in the search for competitiveness, both nationally and territorially. However, the environmental pressure exerted by man since the beginning of industrialization and the limited nature of natural resources make it essential to design policies aimed at better use of them.

The depletion of resources such as water or fossil fuels causes problems ranging from enterprises breaks to armed clashes. For these problems there are no universal solutions: strategies that include actions on several fronts (from supply and from demand) and to consider the specificities required locally. For example, increased water use has grown more than twice the rate of population growth in the last century. While there is still no global shortage of water, about eight billion of two people (ie, more than 40% of the world population) live in river basins with some form of water scarcity. More than 1200 million people live in conditions of physical water scarcity, a phenomenon that occurs when more than 75% of the course of rivers has been removed.

It is important to promote policies, both educational and enforcement, to stimulate the rational use of these resources in the territories where they are located. It is necessary to promote healthier consumption patterns and rational, in line with resource availability over time. In certain localities can apply measures such as desalination, reuse and water treatment, or the use of new energy sources that are renewable and less polluting. Real solutions to environmental problems are associated with the development and introduction of new technologies in an effort that must come from public policies based on the recognition of the specificities and needs of the



territories. In that sense, it is necessary iron out the contradictions between national and territorial policies.

#### **4.7 Policies for infrastructure development**

Adequate availability of infrastructure and the efficient provision of related services contribute to a country or region can develop competitive advantages and achieve a greater degree of specialization. Public investment in local infrastructure (transport networks and communications, social and cultural facilities, housing, training centers and research and industrial parks) is an instrument capable of mobilizing employment and investment in the region, so it can be considered a determining factor in development. However, policies, infrastructure development must be realistic, from the point of view of development objectives and characteristics of the territory, because sometimes the existing infrastructure responds almost exclusively to the logic of the activities carried out by large companies. So that the necessary interconnection of local production systems is not always assured, resulting in disengagement from production areas with each other and with the main centers of distribution and marketing.

It is important to note also that the construction of works to improve the connectivity of a territory can be more effective -a effects of promoting productive activities in a locality that building a series of striking works and capitalizable politically. Achieving a balance in this regard is one of the most realistic issues to face in promoting public policies for territorial development policies capable of responding to local interests, and supported, in turn, by the State.

In connection with the financing of works, M. Fay and M. Morrison (2005) suggest that governments should seek ways to efficiently run their infrastructure spending, for example, relying on local small-scale providers or using cheap technology where appropriate, finding an appropriate balance between new investments and maintenance of existing infrastructure, and focusing investment in increasing productivity and competitiveness.

Investments in infrastructure are a necessary condition for development, but not sufficient. In this sense, there is some consensus on the idea that the impact of investments in infrastructure on competitiveness will depend on its relationship with the other determinants, such as the degree of development of human capital, the availability of resources natural and access to finance and technology.

#### **4.8 Macroeconomic policies**

Macroeconomic policies, despite their centralized nature, must be taken into account to the extent they affect the relative prices of the economy (real exchange rate, real interest rate and real wages), which play a significant role in generated incentives for

investment and savings. In addition, high and volatile inflation thins signals relative prices microeconomic and macroeconomic policy options adopted: it is a phenomenon that influences in different ways (not always virtuous) on productive development.

One of the main lessons from the recent macroeconomic performance is that, like high and unstable inflation, real instability has large economic and social costs, and discourages investment and productive development. It is therefore necessary to seek policies that, while controlling the inflation trajectory, to smooth out economic cycles using countercyclical instruments. These policies should be based on a broader definition of macroeconomic stability, which incorporates both nominal price stabilization targets as real targets (in particular the rate of economic growth and stability).

Macroeconomic policies (fiscal, monetary and exchange rate) should aim to avoid during upturns in the business cycle, which usually respond to significant capital inflows excessive increases in the level of indebtedness of public and private stakeholders, significant imbalances generated in the key relative prices (exchange rates and interest rates), and bubbles in the prices of domestic assets (fixed and financial), which then lead to excessive adjustments to the phase of the cycle. Macroeconomic policies should contribute to the financial balance of the territory, and should be aimed at achieving stability and encourage local savings and investment; all this combined with specific microeconomic incentives (with varying levels of selectivity) based on commercial, industrial and technological policies.

#### **4.9 Institutional policy**

The generation and distribution of wealth at the national and territorial spaces depend on the institutional framework and the specific territorial policies that are unable to agree on terms of local economic development, with the aim of achieving the levels of production efficiency and adequate competitiveness to contribute to the diffusion of economic growth and job creation. The definition of economic development policies from the central state administration is not appropriate or efficient when it comes to ensuring the modernization of local production systems, which require much closer to its institutional problems, potential and specificities.

In the process of modernization, decentralization is an essential tool, to the extent that grants competence, resources and responsibilities to the various territorial bodies. Decentralization also implies the mobilization of territorial social actors involved in local development processes, with the goal of building systems relevant business information in each territory and improve the innovative entrepreneurial base, quality and orientation of basic infrastructure, coordination of instruments to promote micro, small and medium enterprises and access to credit lines for small-scale

enterprises. It is, in short, to create the appropriate institutional framework for regional development, because of the mobilization of local society. On the other hand, to achieve competitiveness is necessary to add to the traditional institutions of business support the creation of a labor institutions that try to improve the terms of the contractual relationship between employers and employees, the terms of attachment and removal, and working conditions . It is also essential to the creation of environmental institutions able to exercise control and regulate a protective action of the natural resources of the territory, on the basis of an efficient, rational and sustainable use.

#### **4.10 Innovation policies**

Innovation is a central element in the development strategy. This is a dynamic process of interaction linking agents who work guided work market incentives (such as companies) and other institutions (such as public research centers and academic institutions), and act in accordance with strategies that respond to other mechanisms and incentive schemes. Systematic linkages and interaction between actors and the economic and institutional infrastructure that each country is able to develop, determine the ability to capture the momentum that knowledge gives production to bring it into a virtuous circle of growth (ECLAC, 2007).

To achieve greater systemic competitiveness is necessary to boost creativity and innovation in science and technology. The aim is to create closer links between research and production with a view to the acquisition, adaptation and efficient use of foreign technology. The fulfillment of this goal will reduce the gap between the best local and international practices, reduce the dispersion of economic efficiency between companies from different sectors and sizes, will contribute to creating new scientific and technological knowledge, and form more efficient human resources (ECLAC, 2004).

During the period of import substitution prevailed a linear model of supply in technology policy, which meant that knowledge and innovation were flowing from the government and public institutions (supply) to the productive apparatus (demand). It was assumed that knowledge is a public good whose consumption has the characteristics of being non-rival and non-excludable. From this perspective, the Government and public agencies were providing knowledge: expected to flow naturally and circulated among economic agents once the system was delivered by public institutions. In other words, scientific progress is automatically transformed into technological innovation.

From the 1990s, after structural reforms, these policies were removed from the economic policy agenda of governments and transited to a supply-driven model. Support for technological improvements and innovations in the private sector focused on areas where market failures identified; for example, a public policy priority

was to correct information asymmetries between economic agents. Despite the change, the new model continued to see innovation as a linear process. Just as the model public offering led by overlapping the concepts of innovation and access to information, led by demand model it assumes that technological dynamism is confined to private enterprise.

The development of a territorial strategy for local economic development, agreed to by its main actors, it has strategic objectives better use of endogenous resources and the diversification of the local production base by incorporating based on quality and differentiation of innovations products and production processes, incorporating management innovations and the introduction of the necessary social and institutional adaptations. Therefore, effective public policy approaches should combine supply and demand in the promotion of innovation. In this sense, the State must play an essential role by promoting greater coordination between the university and business in order to enhance the co-financing of investments in research and development and fostering innovation. The state should support the dissemination, marketing and innovation technologies not harmful to the environment and the mobilization of investment in dynamic production sectors that clean production methods are used. Competitiveness must be achieved on the basis of the accumulation of resources in a broad sense (human, natural and physical), and not at the expense of the deterioration of nature. Technological innovation should be linked to training and with production systems and financial management that incorporate sustainability dimension.

On the other hand, local development is also a clear opportunity for policy innovation, while allowing a more direct relationship with the people: and may experience new forms of participation and new relations between administration and citizens. It is an opportunity to strengthen local associational life often is the form taken by the community to access services or to solve needs. Local development also drives the spontaneous and original creation of new development tools, through consultation; strategic planning and creating alternative networks trust hierarchies and vertical integration.

## **5. Conclusions**

Achieve socio-economic progress in the current conditions of globalization is possible, but requires an active state role in driving the development strategy and appropriate design, implementation and evaluation of public policies aimed at that goal. In this sense, is also essential to actively involve subnational spaces.

Both economic management models focused on the market, as in those where management has prevailed strong state intervention, centralizing tendencies have

manifested limiting sectorial, business and territorial potentials. A new management model capable of dealing with the weaknesses of the aforementioned should include recognition of the role of the market in certain functions, under the rational regulation of the state in the interests of the majority.

Competitiveness and human development are a duo from which you can achieve a virtuous circle in favor of socioeconomic progress. Competitiveness must exclude spurious sources and be sustainable on the basis of constant innovation and environmental conservation. The advance of the variables that influence competitiveness requires the active participation of the territorial level in the design of relevant policies, because it is in this instance that manages foster creativity and active participation of all factors.

Given the importance of innovation in current conditions to achieve increased competitiveness, it requires that local public policies give priority to scientific, technical and human resources progress, in terms of local development and its contribution to growth the national economy.

The analysis of public policies, in the case of Cuba, shows a marked historical weakness on active participation from territories in its design and evaluation. At the present stage, it is required to manage the socioeconomic model from greater decentralization. Trained quickly in the design, implementation and evaluation of public policies based on the principle of self-sustainability is a top priority task, in which local governments will have a definite weight.

Public policies involving local bodies should not only address local projects; they should also ensure the territory's contribution to raising competitiveness and better integration of the localities in the global context.

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