Chapter XII
Urban Competitiveness in the Knowledge Economy: Evolution Paths of the Portuguese Metropolises

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ABSTRACT

The chapter focuses on the growing territorial imbalances between urban regions in the light of the sometimes painful transition toward a knowledge-based economy. Drawing from the vast literature on urban competitiveness, it develops an integrative framework to assess and compare urban regions’ performance and assets in the emerging knowledge-based economy. In a second stage, the framework is applied to the Portuguese metropolis of Porto and Lisbon in order to illustrate how the current tendency toward de-industrialisation and knowledge-based development affects different types of cities. Using the framework concepts, the chapter concludes with policy recommendations to support national and urban policy makers toward urban competitiveness enhancement for our cases, whose rationales may constitute lessons to other similar contexts.

INTRODUCTION

Within developed countries, territorial economic disparities are highly significant and persistent. In many countries, the spatial disparities have even increased in the last decade, reflecting that some types of regions are evidently better prepared and equipped than others to benefit from changing economic circumstances. In fact, there are signs that globalisation and the shift toward
a knowledge-based economy has reinforced the role of some metropolis as core engines of economic growth and innovation, but left others in relative decline.

Manufacturing cities in the southern fringe of the EU (Portugal, Spain, Italy, and Greece) are facing a painful restructuring process. In the 1980s, they enjoyed strong location advantages due to low wage levels, a stabilising macro-economic and institutional environment, and improved access to markets in an enlarged EU. Many larger cities in these countries experienced a massive inflow of manufacturing plants and also enjoyed indigenous growth of their traditional manufacturing industries. Unemployment rates dropped, and incomes and productivity increased sharply. However, at the turn of the century, many of the advantages have vanished, namely related with the emergence of new manufacturing locations in Asia and Eastern Europe, leading to a loss of blue collar jobs and lower levels of inward investment.

Indeed, the decline of manufacturing sectors and the shift toward a more knowledge-based economy is not spatially neutral. Although it is certainly not a zero-sum game, there are indications that some cities benefit while others lose. Capital cities, like London, Madrid, or Stockholm, are in a good position: they capitalise on their traditional strengths in sectors that enjoy healthy growth in a knowledge-based economy, such as the financial sector, business services, and research and development activities. Declining industries, such as traditional manufacturing, only make up a tiny part of the economic structure. Furthermore, capital regions tend to be better endowed with locational factors that help to attract and retain human capital: cultural facilities, a diverse labour market, and global connections through their international airports. Some other cities, like Rotterdam, Dortmund, or Sheffield, are less well-positioned to benefit from this shift, namely, cities with an outdated manufacturing base due to their unfavourable sector structure, tend to have relatively large problems of unemployment and social exclusion. Attracting and retaining talent (highly skilled) is a problem, as they tend to suffer from negative image perceptions related with pollution, crime, less cultural amenities than capital cities, and they have a relatively poor quality housing stock (former working class neighbourhoods). Furthermore, regional support from the EU is likely to diminish in the near future.

This chapter focuses on the growing territorial imbalances in Portugal, in the light of the painful transition toward a knowledge-based economy. It compares the competitive performance of Porto and Lisbon over the last 10 years. To do this, we draw from the vast literature on urban competitiveness to develop an integrative framework to assess and compare urban competitiveness in the emerging knowledge-based economy. Second, we apply it to Porto and Lisbon to illustrate how the current tendency toward de-industrialisation and knowledge-based development affects different types of cities.

For the analysis we have collected a variety of relevant data on both urban regions. Additionally, we have collected circumstantial evidence, through a large number of expert interviews with company executives, policy makers, and other relevant actors at the local and regional/national level.

The analysis distinguishes itself in at least two respects. First, instead of focusing on a specific aspect of the urban knowledge economy, we take an integrative approach, linking many aspects to one another in a comprehensive framework. Second, we analyze different types of cities in terms of size, economic base, and place in the national urban grid to highlight the substantial differences in the way cities are affected by the transition toward a knowledge-based economy.