Chapter 6

How Local Development is Achieved in Relation to Knowledge in EEE Countries

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ABSTRACT

Local and regional development is an increasingly important issue for researchers and politicians. The challenge of enhancing prosperity, improving wellbeing, and increasing living standards has become acute for localities and regions with developing economies. Moreover, questions about the implications of globalization for local and regional development in transition economies are of strong interest. The present chapter looks at how EEE countries have been developed at regional and local levels during the transition period and identifies some examples for Arab countries using a series of indicators and statistical methods.

INTRODUCTION

The integration process of EEE countries into the European Union was long and complex, assuming the adoption of the European legislation and the institutional development of a system compatible with that of the European Union member countries.

Many developed countries aims more and more to be knowledge economies. In the age of high technology, knowledge economies create information and ideas, use, spread and adapt them with an increasing speed in “knowledge based communities.” In knowledge economies, wealth, prosperity and economic development depend on people’s capacity to out-invent and outwit their competitors, to turn in to the desires and demands of the consumer market, and to change jobs or develop new skills, as economic fluctuations and downturns require (Hargreaves & Shaw, 2007).

According to OECD, successful knowledge economies rely on four sources of innovation: scientific and technical knowledge, interactions...
and incentives to innovate among users and do-
ers, decentralized modular patterns of innova-
tion within a coordinated system, widespread application of information and communication technologies, including in education.

To enhance the knowledge-based growth in transition economies Orłowski (2000), p. 96 recommends the following solutions:

1. Correct macroeconomic and structural poli-
cies (lowering the level of corporate taxes, more relaxed amortization of costs, increase the openness of the economy, effective privatization, strengthen restructuring and de-monopolization);
2. Creation of competitive R&D market and increasing the efficiency of use of the re-
search funds;
3. Reform of the education system (aimed at increasing the number of students, the quality of education and orienting the system to the market needs).

This chapter begins with a literature review about how local development is achieved in relation to knowledge economies. The research directions are:

1. How knowledge is provided in localities and regions
2. The distribution of information in EEE countries
3. How diffusion operates in EEE countries
4. What roles are played by schools and research centers?

Moreover, some case studies from EEE coun-
tries are presented on each research direction.

Then we have continued our work with an empirical analysis on EEE countries by using the model of Chen and Dahlman (2004) in order to explain how wealth measured by GDP per capita is related to knowledge. Finally, we finish

our chapter with some conclusions about what lessons could be learned by MENA region from EEE countries experience.

1. LITERATURE REVIEW

How Knowledge is Provided in Localities and Regions

Globalization and knowledge economy offer huge opportunities for localities and regions. Successful localities and regions will be those that identify the opportunities and use them for building new economies based on local strengths and adapted to changes.

National, regional and local policymakers need to work together, across boundaries, to ensure that all of them support the knowledge economy and benefit from its growth.

Local policymakers who are seeking to enable their localities or regions to adapt and to be innovative need to focus on both measurable policy instruments, such as transport and connectivity and intangible policy instruments such as skills, leadership, distinctiveness and collaboration.

There are two main reasons why cities and city-regions matter in the knowledge economy and in the globalized economy. First, because they offer productivity benefits, including access to markets and a variety of external economies of scale, including access to large and specialized labor pools (particularly of high skill workers). Cities and city-regions also offer proximity to other knowledge workers, enabling tacit knowledge to be shared; the knowledge that cannot be easily codified and is best exchanged and developed through face-to-face contact and trust-based relationships. They offer a critical mass of firms, who interact through staff moves, networking and personal relationships. In other words, firms can benefit from the spillover effects from other firms’ innovative activity. These spillover effects are particularly
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