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...
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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 in-
novative 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 codi-
fied 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 re-
relationships. In other words, firms can benefit from 
the spillover effects from other firms’ innovative 
activity. These spillover effects are particularly