



Project Summary

This strand of the CEELBAS agenda focuses on the development of knowledge-based and high-technology industries across the emerging Europe region (defined here to include the post-socialist economies). Like other emerging market economies across the world, the emerging Europe region has yet to develop the range of knowledge-based and high-technology activities that are a feature of advanced economies.

As such, moving up the value-added chain of production constitutes a key challenge confronting the region, particularly in light of the largely negative demographic pressures that the region is projected to experience, as well as the negative legacies associated with the impact of the still ongoing global financial-economic crisis.

Thus, the task of developing strong and competitive knowledge-based and high-technology industries is one of the main research areas on the CEELBAS agenda. So far, only a few countries have succeeded in developing significant capacities in this area, with most economies of the region focusing on low- and medium-technology activities or in the export of primary, unprocessed materials.

Identifying the primary constraints on the development of knowledge-based activities should help contribute to the wider debate of how relatively underdeveloped economies can modernize and become more important actors in the global economy.

Methodology

The research undertaken during the course of this project employed a political economy approach to assessing issues surrounding knowledge-based economic development in emerging Europe, using a blend of: (a) collation and analysis of statistical data to aid the analysis of cross-country and intra-country developments; (b) qualitative analysis using newspaper sources (including Russian language sources) and academic research; and (c) case-study analysis of countries and industries based on primary research and secondary sources.

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Aims and Objectives

1. In order to place the position of the region in a comparative context, the project aimed to measure and map the development of knowledge-based and high-technology industries across emerging Europe and the rest of the world.
2. To identify the binding constraints on knowledge-based economic development in countries from within the emerging Europe region.
3. To assess the effectiveness of state industrial policy in stimulating the development of knowledge-based industries, focussing on Russia where the government is actively engaged in an ongoing effort to 'modernize' the economy on the basis of growth in a few knowledge-based sectors.
4. The project also involved the ongoing analysis of the effects of the global financial-economic crisis on the emerging Europe region.

Outcomes and Impacts

Outcomes:

1. Data derived from primary trade statistics were collected for more than 130 countries over a 15 year period to construct an indicator of high-technology export performance.

This indicator shows that although progress in developing high-technology industry has been slow across emerging Europe, the region compares favourably with other developing regions of the global economy. Increasing the unit value of exports (within-product sophistication) is a key challenge for the future.

2. Using the 'growth diagnostics' framework, a wide range of sources, including both primary and secondary sources, were used to identify the binding constraints on the investment in Russia.

It was argued that while there exists a wide range of impediments to private investment in Russia, perhaps the most important constraint on growth is the poor state of financial intermediation.

Impact:

Twice presented research at the Foreign and Commonwealth Office (FCO); provided technical assistance on behalf of the European Commission under the auspices of the EU-India Partnership Strategy; frequent participant at Chatham House events relating to Russian economy; invited to provide advice to Italian business group on business environment in emerging Europe.

Selected Research Outputs

Relating to knowledge-based and high-technology development

(2011) (forthcoming) 'Climbing the Ladder? High-Technology Export Performance in Emerging Europe,' *Eurasian Geography and Economics*

(2012) (forthcoming), *Economic Sources of Social Order Development in Post-Socialist Europe*, London and New York: Routledge

(2008) "The Structure of Russian Industrial Exports in Comparative Perspective," *Eurasian Geography and Economics*, Vol.49, No. 5 (September-October), pp.586-603

On binding constraints on knowledge-based development

(2011) 'Financial Constraints on the Modernization of the Russian Economy,' *Eurasian Geography and Economics*, Vol.52, No.3, pp.

On state industrial policy in Russia

(2011) (in progress) "State Industrial Policy and High-Technology Industry in Russia: The Case of Rosnano"

On the financial-economic crisis in emerging Europe

(2011) (forthcoming) "The EU Economy: Member States Outside the Euro Area in 2010," *Journal of Common Market Studies*, Vol. 49

(2011) (forthcoming) 'The Determinants of the Economic Crisis in Emerging Europe,' *Europe-Asia Studies*

(2011) (with Nat Copsey, forthcoming) 'The Great Slump of 2008-9 and the Ukrainian Economy', *Journal of Communist Studies and Transition Politics*

(2010) "The EU Economy: Member States Outside the Euro Area in 2009," *Journal of Common Market Studies*, Vol. 48, s.1, pp.243-266

(2009) 'Financial Vulnerabilities in Emerging Europe: An Overview,' *Bank of Finland Institute for Economics in Transition (BOFIT) Online Research*, Helsinki: Bank of Finland, No.3



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