

International Co-Operation and Local Development[♦]

by

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0. Introduction

The relations between *co-operation* and *development* are nowadays quite evident and are becoming a distinctive feature of the so called ‘new economy’. On the one hand, the socio-economic growth of less developed and developing regions is increasingly more linked to collaboration programs with relatively more developed countries and international organisations. On the other hand, the development of the former turns out to have positive spillovers on the economic performance of the latter, allowing them to benefit from the opportunities of larger markets and newly developed products.

The advent, from the early ‘80s, of the so-called ‘globalisation’ process has had a great impact on both the extent and the nature of these relations. Indeed, not only has the new international scenario widened the network of competitive and co-operative linkages between less and more developed countries, but it has also changed their nature. First of all, co-operation and development are increasingly interactive at different geographical levels: on the one hand, international collaboration is one of the channels through which nation-states have been ‘smelting’ in a world-wide global network; on the other hand, it is also one of the policy instruments sub-national systems have started adopting to pursue local objectives and strategies which rarely coincide with the national ones. What is more, the relations between co-operation and development have been spreading to a broader set of issues: in the field of innovation, in particular, it has become evident that, in order to induce growth, technological transfers need to be complemented by the joint development of appropriate capabilities, both individual (e.g. skills and knowledge) and social (e.g. institutions).

Moving from this factual premise, the aim of this paper is to cast light on the major implications that globalisation has for the relationship between co-operation and development and, throughout the same nexus, between development, innovation and structural change at different levels of analysis, that is national, international and local.

The paper is organised as follows. First of all, we will briefly sketch some points that, for us, should be kept in mind in choosing the most suitable ‘problem-posing’ and ‘problem-solving’ approaches to deal with a globalised world of ‘co-operated development’ (Section 1). Second, we will try to identify those factors which make the setting within which co-operation and development operate increasingly complex and we will evaluate their influence (Sections 2 and 3). In doing so, we will propose, or simply support, methodological approaches and analytical tools we consider particularly suitable for disentangling the issue. Some general reflections and economic policy implications conclude our analysis (Section 4).

1. 'Starting on the right foot'

At the outset, the globalisation process seems to have made the international scenario within which co-operation and competition occur apparently more homogeneous. In fact, strong similarities and analogies can be found between different countries or regions – both developed, developing, and in transition – and in numerous fields, such as: public policies (e.g., environmental policies, health system reform, liberalisation and privatisation, public administration modernisation), welfare systems, social programs, employment policies, infrastructural policies, and, at least for some countries, financial policies conditioned by the debt problem¹. In this last respect, therefore, the definition of the 'priorities' of a co-operation program should move from an important fact. Although different 'models of capitalism' and 'institutional styles' still survive (Albert, 1991), the epoch of the 'struggle' between 'competitive' organisational systems and political regimes seems to have come to an end. We have rather entered an era of complementarity between markets and government interventions, in which the subsidiarity principles (both vertical and horizontal) provide an important *trait d'union* between different spheres of action.

Also in the light of this higher degree of interrelationship and homogeneity, the interpretative power and the normative implications of standard economic models prove to be less effective. In particular, the economic models of both the 'first' and of the 'second' generation (Antonelli-De Liso, 1997; Ardeni 1995; Quadrio Curzio, 1994) are not able to provide a general explanation of both past and future growth². Furthermore, a general model which is able to explain the core determinants of growth and to supply policy advice in order to obtain sustainable and convergent development does not yet exist. This is true even if we distinguish, when applying a model, between developing and developed countries. A further methodological insight therefore emerges in choosing a suitable 'problem-posing' approach. The strong relevance of institutional, political, cultural and technical factors induces one to focus on issues, rather than on models, and to accept the evidence that a whole array of development paths is available, so that variety is crucial and random elements do not allow any deterministic approach to development issues. Indeed, complementarity coexists with diversity, homogeneity with heterogeneity, development with

¹ To be sure, the so called "South" of the globe appears to be nowadays more heterogeneous than the so called "North". Furthermore, the heterogeneity of the former appears greater in the late '80s than it was in the late '70s: the most reasonable implication of this is that neither a convergence nor a divergence rule applies (Quadrio Curzio, 1994).

² 'First generation' models are, among the others: the Smithian model, centred on the principle of division of labour and the learning process of human resources, the Malthusian model, based on the unbalance between natural resources and population, the Ricardian model, based on capital accumulation and technological progress in antagonism/synergy with natural resources scarcity, the Marshallian model, focused on externalities in markets and industrial organisation, and the neoclassical model, based on total factor productivity growth. Among the 'second generations' model, instead, let us remember: the structural transformation program, based on partially endogenous growth, the different classes of endogenous growth models, the multisectoral model and the neo-keynesian model, centred on the role of investments,

growth, globalisation with nation-specificity: a fact that also influences the relevant ‘problem-

Indeed, similar problems and similar initial conditions, even within institutional settings which are less heterogeneous than in the past, tend to produce differentiated outcomes. Although strong analogies emerge also in problem-solving approaches and in policy advice (e.g., measures for improving market flexibility, institutional or structural adjustment policies), context-specificity still remains undeniable and renders general theoretical models incapable of providing a univocal solution to co-operation and development problems. Indeed, embeddedness in institutions and organisational settings – including household, religious and cultural habits – identifies a ‘residual’ explanatory variable of any economic model which is essential in explaining behaviours and interactions among agents and, even more, in studying co-operation issues (Abramovitz, 1989).

In trying to implement the previous methodological insights, it seems to us a ‘good way to start out’ that of identifying, not the hypothesis of whatever complex model, but what we deem to be the ‘substantive issues’ within a complex scenario, and to analyse them and their effects by referring not to a ‘closed’ set-up, but to different interactive levels, such as local and global, developing and developed.

2. ‘Substantive issues’ within a complex scenario

Although the identification of ‘substantive issues’ could turn out to be a partial approach, it seems to us that the most crucial problems currently bewildering contemporary economies, and which co-operation and development policies should try to tackle, are persistent unemployment and economic inequality. Useful insights can therefore be drawn by identifying those factors which, for us, underlie the ‘two horns’ of this dilemma.

At the outset, it appears evident that the intense processes of *trade liberalisation*, on the one hand, and of *technological change*, on the other hand, which have characterised the last twenty years matter a lot in explaining the dilemma.

First of all, the reduction in the average level of tariffs, and the higher level of integration that it has entailed³, has had other effects in addition to the positive ones which are often invoked by the

the neo-Austrian models, the Schumpeterian and neo-Schumpeterian models, based on innovation and systemic evolution.

³ Let us think about the constitution of the European Union, the development of new channels of interdependence with Eastern and Southern European countries, the shift of business perspectives towards the Far East economies (even though some of these are trapped in a deep crisis), the slow transition of the Eastern countries to the market economy, the difficult integration process of Muslim countries, and the predicted scale of activity of the fastest developing economies.

relevant literature⁴. Indeed, the process itself has also contributed to increase the uncertainty of the ‘global order’, to fuel a process of uneven economic growth, and to frustrate the creation of new employment opportunities: the relocation of production activities, the ‘social dumping’ linked to the severe competition deriving from it, and the symmetrical and asymmetrical pushes of migration flows are only the most evident outcomes.

Another important piece of the explanation can be found in the ‘wave’ of technical, organisational and institutional innovations that, at least since the early ‘80s, have become endogenous (or partially endogenous) to the dynamics of the economic systems. In fact, the support granted to explicit knowledge has been rarely coupled with that recognised to tacit, embedded knowledge, human capital creation has been irregularly sustained, if not even hampered, ‘innovative’ (long term) flexibility has been as much stimulated as ‘defensive’ (short term) flexibility: as a result, wages and employment have assumed strong structural characteristics⁵. Furthermore, those institutional and organisational transformations which have been brought by technological change have risen new obstacles to the sustainability and diffusion of established institutional set-ups and, in particular, of those models of capitalism which most differ from the dominant ones⁶.

That these are indeed ‘substantive issues’ has been widely recognised, both at the level of theory and of policy. On the one hand, international trade theory and growth economics have since long derived salient prescriptions both to increase the collective welfare accruing from trade liberalisation and technological change, and to diminish their possible static and dynamic inefficiency effects. On the other hand, the same issues have been set on the top of the policy agenda of the EU at least since 1993 European Commission’s *White Paper on Growth, Competitiveness and Employment*, and recently stressed with greater emphasis⁷. Nevertheless, several questions still remain open at both levels. First of all, the current apparently irreversible trend towards trade liberalisation, what is actually referred to as ‘globalisation’, is producing high

⁴ Such as the reduction of factor prices and of their variance, the increasing convergence between growth patterns, and the perspective of creating more jobs.

⁵ To be sure, the picture is quite heterogeneous, and the skill composition of internal demand for labour is also quite important. Moreover, local systems of production do play an important role, side by side with supra-national economic systems.

⁶ Consider, for example, the Anglo-Saxon model. This also occurs because, along with the welfare state crisis at a national level, increasing difficulties arise in extending to larger and more heterogeneous communities the range of economic rights and social policies which are granted to national insiders.

⁷ In particular, by recognising innovation and human resources as the basic ingredients of the integration process. See, for instance, the following references: EC (1995), *Green Paper on Innovation*; High Level Group of Experts (1996), *Building the European Information Society for Us All*; EC (1996), *Green Paper on Living and Working in the Information Society – People First*; EC (1997), *Communication on Cohesion*. See also the documents released in the Amsterdam and Luxembourg Summits.

pressure on the labour markets, especially because the strongest competitive pressures have been suffered by countries and regions that are specialised in traditional, labour-intensive goods. Accordingly, less developed countries are in a very weak position and it seems quite realistic to affirm that many regions risk economic and social exclusion, if they are not already excluded. Furthermore, we should also consider that these pressures could be taken as additional opportunities to speed up the transformation of the specialisation patterns of several economies, and not only at the ‘periphery’. A similar argument holds with respect to technological and institutional change. Their immediate consequences should in fact be evaluated along with the fact that they could provide the means to implement long term flexibility, that is the capability of economic system to anticipate the required structural changes rather than that to adjust passively to external shocks.

In the light of these and other ‘open’ questions, it seems to us worthwhile trying to dig more into the complexity of our substantive issues and, possibly, to identify suitable methodologies and analytical tools to tackle them.

3. Digging into a complex setting

Among the several factors that are most responsible for the ‘pervasivity’ of the complex process of change we have sketched above, three are for us particularly relevant: (i) the advance of *globalisation* and of *regional integration*; (ii) the increasing interrelationships between *economic, institutional and socio-cultural factors*; (iii) the upsurge of the role of *knowledge*, especially within a ‘*service based economy*’. All of them have come to play an undeniable role and should therefore be carefully considered, possibly by adopting suitable approaches and effective policy prescriptions.

Indeed, the constitution of a global financial market, and, with a certain delay, of global markets of goods and services (including labour markets), along with the high level of integration between ‘regions’ (EU, but also NAFTA, AFTA, APEC, TAM) they have spurred, is a result whose characteristics have been recognised. Nevertheless, evaluating the extent of the globalisation process, and trying to distinguish (possibly classify) what is actually ‘global), still remains an open question, particularly important in order to identify the proper scope for co-operation and development policies. Furthermore, the fact that economic processes are embedded in geography and history specific contexts, makes it necessary to approach globalisation by retaining the complex network of techno-economic and socio-cultural interrelationships that make up these contexts: addressing the question of competitiveness and of co-operation from a system perspective, by looking for systemic (possibly structural) competitive factors, and by identifying the geographical and functional boundaries of different production/innovation systems, therefore turns out to be crucial. Finally, the recognition of one of the most important globalising

(and differentiating) factor, that is knowledge, renders extremely important to distinguish between different kinds of knowledge, and to identify those factors (especially capabilities) which are sufficient and/or necessary for its generation and exploitation.

As all the previous issues have important implications for the relationships between co-operation and development in a globalised context, let us consider each of them in turn.

3.1. What is globalisation and what is ‘

The term globalisation is often used as a ‘catch-word’, sometimes even as an unclear ‘buzzy-word’, to refer to the most recent phase of the internationalisation process (OECD, 1992)⁸. In general, it is roughly deemed both a cause and a consequence of the information revolution, and of the technological improvements it has brought in the field of telecommunications.

In spite of this apparent lack of rigour, such a word is for us necessary, at least in order to point to the fact that, since the early ‘80s, the process of international integration has indeed increased and changed substantially, both at the intensive and at the extensive margin. On the intensive side, trade flows have largely expanded, both in volume and in area, and the same has occurred at even higher rates for foreign direct investments. On the extensive side, the internationalisation process has been involving a larger number of economic activities, as firms started conceiving finance, management, corporate strategies and also innovation, besides production and marketing, on a world-wide basis: traditional and ‘broad production factors’ (Antonelli, 1997) are increasingly more recruited at a world wide level and the localisation of firms tends to adjust to this trend⁹. Furthermore, some other aspects, of less strictly economic nature, have also brought the world towards a more sustained degree of socio-political integration¹⁰. The participation to international organisations and the adoption of international agreements have narrowed the set of policy options which are allowed to national governments, although decentralisation and devolution of decision making expand very rapidly and multi-level governments (i.e. national, local, and sectoral) are diffusing: indeed, the trend towards the global is not uni-directional.

At the outset, it seems to us appropriate to look at globalisation as a process which arises from the interplay of three principal forces: (i) the nature and direction of the technological change which

⁸ “To describe a range of trends and forces changing the face of the world” (OECD, 1996).

⁹ By referring to these new ‘extraordinary’ trends, the distinguishing dynamic characteristics of the globalisation process have been identified, also quite precisely: (i) a substantial annual rate of increase of world-wide foreign direct investments (nearly 10% between 1980 and 1996, versus 5% in world-wide international trade and about 2.5% in world-wide GDP (Quadrio Curzio, 1999, Fig.1)); (ii) a widespread diffusion of mergers and acquisitions; (iii) an increasing process of ‘financialisation’, i.e. of the role of financial intermediaries and operations (OECD, 1992).

¹⁰ It has been recognised, for example, that “the framework of rules within which economic activity takes place is increasingly defined in the international framework of the WTO, the IMF, the World Bank, the OECD and G7 summits and is heavily influenced by regional trading blocks such as APEC, EU and NAFTA” (OECD, 1996).

allows for and induces globalisation (especially in the field of information technology); (ii) the strategies of Trans National Companies (TNCs) and Multinationals (MNCs), which act the most at a global level; (iii) the decisions and actions of the different levels of government which try to fit the implications of the globalisation process. However, we are also pretty aware of the fact that the way these interactions operate and their specific outcomes vary substantially between different kinds of economic activity (Dicken, 1988), and between different contexts, entailing different 'degrees of globalisation'. In the light of this fact, the implementation of a sound co-operation policy, and of its implications for development, should also move from the analysis of what is actually 'globalising' (i.e. becoming global).

Although a case by case analysis, on the field, is eventually the most reliable criterion, it seems to us that useful insights could be obtained by trying to distinguish, and possibly classify, those 'sectors' which are actually fully globalised (possibly the financial markets), from other that are global only partially, or under globalisation, if not even still national or local¹¹. Indeed, the identification of suitable taxonomies to disentangle the problem could be useful at least in four respects: (i) to organise a body of evidence which is becoming massive; (ii) to come out with more conclusive evaluations about the extent to which the globalisation process occurs; (iii) to facilitate the choice of accurate measures to face its implications; (iv) to take into account the different speed and characteristics of the same process with respect to different sectors of economic activity and different geographical regions. Several attempts at classifying the globalisation process have already been put forward and tested empirically (e.g. Archibugi-Michie, 1995; Grandinetti-Rullani, 1997) but further aspects still remain to be addressed in order to gauge its actual extension (Montresor, 1988b)¹².

3.2. The need of a suitable unit of analysis: the 'system approach'

Another important aspect to be considered in analysing the interaction between co-operation and development within a global setting is the 'context-dependent' nature of the production and innovation processes on which they operate.

¹¹ An estimation of these different degrees of globalisation can be found in Quadrio Curzio (1999). On the basis of different characteristics, he reports that, in 1995, the share of world income globalised or under globalisation was around 38%, while only 12% was deemed to remain structurally local.

¹² By referring to technological change and globalisation, for example, Archibugi and Michie (1995) distinguish between exploitation of innovative results, technological production as such, and technological agreements, and conclude that globalisation has mainly influenced the first and the third, while the second has remained largely national. Still with respect to technological change, it can be argued that techno-territoriality (i.e. the innovative relevance of space and territorial elements), techno-sovereignty (i.e. the domain of central units of decisional power and of science and technology policy), and techno-citizenship (i.e. the importance for the innovative process of national forms of accountability between the units of the firms, especially multinational) have been affected by the globalisation process of technology (i.e. by the so called 'techno-globalism') to a greater extent than techno-nationality (pointing to the innovative effects of socio-cultural sharing phenomena) (Montresor, 1998b).

Indeed, both theoretical and empirical analyses have pointed out that the main economic subjects, i.e. the firms, do not act in isolation and rather establish different kinds of socio-economic and techno-economic relationships with different organisations, both within the private and the public sphere. Furthermore, they operate within specific institutional set-ups, that is formal and informal institutions which make their actions and interactions possible, by internalising the relevant transaction costs and by allowing the emerging conflicting solutions to be solved (Edquist, 1997).

In the light of this fact, the search for positive development factors should go beyond the support granted to 'isolated' economic sectors, while the establishment of virtuous co-operative partnerships should move across strictly geographically-bounded areas: in both cases, the identification of system factors and of the relevant 'systems of production' and 'systems of innovation' should instead be considered an important starting point¹³. In other words, the adoption of a system approach turns out to be useful also in this context.

As is well known, the need of such an approach has been long argued in the literature about industrial competitiveness, which has come to elaborate the concepts of 'systemic' and 'structural' competitiveness (see e.g. Chesnais, 1991) and to substitute the idea of competition as a vicious 'zero-sum game' with that of a virtuous 'benchmarking' of business environments (OECD, 1996, 1997). What we would like to stress here is that, following this approach, we should also take co-operation as an important factor for both competitiveness and development. Indeed, co-operation is not only necessary to ensure conditions of 'fair' and 'sustainable' development. It can also provide new competitive opportunities when it allows less developed areas to overcome their structural technological gap and to reach an endogenous kind of growth from which more developed areas can benefit.

Although pretty true in general, the previous argument is particularly relevant when we look at a local kind of development. Within a global process which has determined an increasing level of standardisation¹⁴, a fundamental competitive strategy is that of promoting, also through sound co-operation policies, 'local systems of production' which benefit from the positive externalities of an homogeneous socio-economic *milieu*¹⁵. Indeed, co-operation and external competition turns out to

¹³ Indeed, on the basis of the previous rationale, such concepts as 'production', 'innovation' (Lundvall, 1992; Nelson, 1993), and, more in general, 'technological systems' (Carlsson-Stankiewicz, 1995; De Liso-Metcalf, 1997; Antonelli-De Liso, 1997), have been recently proposed as useful units of analysis to investigate the economic effects, both in terms of structure and performance, of the complex web of techno-economic interactions within which firms operate.

¹⁴ At least from a supply-side, as structural differences still seem to resist from a demand perspective (Russo-Schetkatt, 1999).

¹⁵ Both by investing in their own resources and potentials (e.g. in the forms of 'concertation policies') and by making them particularly attractive (e.g. 'territorial marketing').

be extremely crucial also for these economic realities when we remember that, although *local*, they are still *open* systems, which exchange material and immaterial flows with other national and international systems, and which therefore need to construct external (typically explicit and codified) channels of communication/exchange, and to integrate them with the internal ones (typically implicit and embodied)¹⁶.

The analysis of system and globalising forces therefore turns out to be intertwined. It follows that, integrating the taxonomy-methodology we have referred to above in dealing with globalisation, with the system approach just discussed might be of some help in increasing the potential of the latter and in making it less conceptually ‘vague’ and more operative. Indeed, different system configurations (i.e. more or less connected) can be identified by referring to techno-economic flows of different nature, e.g. productive and innovative, embodied and disembodied (Leoncini-Montresor, 2000), while various types of outward orientation (e.g. international rather than transnational, if not even global) can be detected with respect to different kinds of international integration channels (e.g. foreign direct investments and trade) (Montresor, 1998a).

3.3. *Developing knowledge and capabilities*

In dealing with co-operation (and competitiveness) for the development of global (or ‘systems of production, another key-element completes the picture: the role of *knowledge* and *capabilities*. Indeed, we entirely subscribe the point of view of those who recognise that the global era is also that of the ‘learning Lundvall-Barras, 1999) and that the progress and evolution of economic systems are increasingly more linked to investments in immaterial resources. However, we also do think that the whole question could benefit from further attention to three essential aspects. First of all, it is not only the accumulation of new pieces of *explicit* information which matters, but also the role of a *tacit* (and often local) kind of knowledge, especially within a ‘service-based economy’. Second, knowledge does not only refers to what is learnt but also to the ways and networks through which something gets learnt. Third, knowledge operates along with other factors, especially capabilities, that are necessary to make it effective in driving competition and growth, both potential and actual.

All these three points represent crucial factors for an effective ‘knowledge-targeting’ in a world of global competition and co-operation. First of all, it is essential to realise that, if investing in the accumulation of formal knowledge is essential to foster competition through new variants of goods

¹⁶ The ideas of ‘global networks’ and of ‘glocal systems of production’, recently developed in the relevant literature try to catch such an important aspect.

and services, taking advantage of the tacit knowledge that arises ‘incidentally’ from production and capital investments is as important in implementing and managing the new production and innovation processes put in place by the former. Although the socio-economic literature about ‘learning’ has made this point quite clear since long¹⁷, both theory and evidence mainly refers to economies dominated by the manufacturing sector and mainly populated by industrial plants. Given the increasing importance that the service sector is acquiring in contemporary economies¹⁸, and its turning from a purely passive, ‘supplier-dominated’ role, to an active, innovative creating and driving one (Gallouj-Gallouj, 1997), such an evaluation turns out to be partial: a suitable re-analysis is therefore urged in the light of the idiosyncratic features of the so called ‘immaterial sector’ and of its linkages with the manufacturing (‘material’) one¹⁹.

The previous point naturally leads us to the second. The distinction between formal investments in R&D and incidental learning-by doing is not the only one to be remembered. Indeed, ‘knowledge-oriented’ activities can be further specified, for example, by distinguishing the act of knowing between ‘knowing-that’ and ‘knowing-how’, and by combining this distinction with that between ‘indirect’ and ‘direct knowledge’ (Loasby, 1996, pp.2-8)²⁰. The resulting two-order matrix (Table 1) turns out to be quite powerful in addressing, and possibly ‘investing’ in, the issue: on the one hand, it allows us to consider knowledge as threefold, that is as ‘stock’, which can be created, but also depleted over time, as ‘process’, that is as an ensemble of different kinds of learning that can affect the former (i.e. the stock), and as ‘information organiser’; on the other hand, it makes it possible to better specify the activities through which knowledge assumes these three different *statutes*, and through which it is continuously codified, de-codified and re-codified: intentional investments in research activity (north-west box – Tab. 1), ongoing learning processes (south-west and south-east boxes), and filter/organiser functions (north-east box)²¹.

¹⁷ Such concepts as ‘learning-by-doing’ (Arrow, 1962), ‘learning-by-using’ (Rosenberg, 1976) and ‘learning-by-interacting’ (Lundvall, 1992) have actually become quite standard in economic analysis.

¹⁸ In Italy, for example, the share of total employment in the service sector is around 61%, while in Europe it is around 70%.

¹⁹ To be sure, both theoretical and empirical analyses about the role of the service sector, and about its innovative function, have recently started being developed. As for the former see for example Licht-Moch (1999); as for the latter see, among the others, Miles (1998); for an application to the Italian economy see also Antonelli et al. (1999) and Sirilli-Evangelista (1998). However, it seems to us that a ‘critical mass’ of analyses has not yet been reached to come out with definitive or nearly definitive conclusions.

²⁰ ‘Knowing-that’ refers to “knowledge of facts and relationship, the primary subject matter of formal education and the news; it may be subdivided into knowing what and knowing why”; ‘knowing-how’, instead, is the “ability to perform the appropriate actions to achieve a desired result”. The second distinction, between ‘direct knowledge’ – “we know a subject ourselves” – and ‘indirect knowledge’ – “we know where we can find information about a subject” – instead refers to the relationship between the source of knowledge and the forms of its diffusion.

²¹ It should be noted that, orthodox economic literature has mainly focused almost all its attention on the first kinds of activities, while, with the notable exceptions of the institutionalist school and of the scholars of the local systems of

Tab. 1 Two-dimensional matrix of knowledge

First dimension\ Second dimension	<i>Direct knowledge</i>	<i>Indirect knowledge</i>
<i>Knowing that</i>	formal education; R&D	information (in its meaning of intelligence); imitation
<i>Knowing how</i>	vocational training; apprenticeship; experience	learning by doing, using, interacting; tacit knowledge ²² , imitation

Coming to the third point we have stressed above, the pervasive role of knowledge can't be disjointed from that of *experience*. Indeed, every system of production and innovation develops, not only because of knowledge accumulation itself, but also because of its virtuous interactions with the *skills* and the *artefacts* which are available in a certain moment and which are, respectively, acquired and developed with the advancement of technological progress (De Liso-Metcalf, 1997). Although these three system-components presumably take on a different weight depending on the actual degree of 'technological turbulence'²³, their role in making the systems themselves capable of evolution and, possibly, of structural change, is essential. It is for this reason that, innovation, competition, and, also and above all, co-operation policies will turn out to be effective for development if they are effective in developing the necessary *capabilities*. To be sure, also this last point has been made clear since long, at least since the role of 'social capabilities', meant as social and institutional infrastructures, for the creation of a certain 'growth potential' has been recognised (Abramovitz, 1989). What we would like to stress here is that social capabilities have strong microfoundations, as they result from the aggregate accumulation of 'individual capabilities' on which the former also feed-back acting as structural constraints for individual behaviours²⁴. Indeed,

production, little attention has been paid to those of the second kind. The same holds for the third type of activities, although in the last decades an increasing attention has been paid to it by several lines of research in economics.

²² A good example of an outcome deriving from this kind of knowledge is the book of cooking recipes.

²³ In relatively simple economic contexts, for example, characterised by stability and little technological and institutional change, and in which uncertainty plays a minor role, routine-knowledge and relatively few and stable skills are sufficient to support a standardised production process. In complex economic contexts (and this, within the globalisation context, does not exclude developing countries), instead, where technological and institutional change are physiological elements, all the three elements play a pivotal role (Antonelli-Pegoretti, 1995).

²⁴ 'Individual capabilities' can be defined as a mix of knowledge, experience, skills and information needed by organisations to carry out "the large number of activities related to the discovery and estimation of future wants, to

these capabilities are essential in explaining the development of the power which is necessary to create and increase specialist competencies (Loasby, 1996, pp. 1-2), and are therefore crucial in turning 'potential growth' into 'actual growth'. Once more, as they are endogenous, idiosyncratic, and institution specific²⁵, their development should represent a fundamental policy-concern.

4. Conclusions

In concluding this paper, a few words are due to further clarify its aim and its nature. Rather than trying to deepen the complex question of the 'trade-off' between co-operation and competition in sustaining growth, and to survey the huge and controversial array of instruments throughout which development can be pursued, we have tried to investigate the new scenario such kinds of analysis should be carried out within. We have moved from the factual premise that the world has been changing under the 'globalisation-push' and we have tried to identify those factors which most influence co-operation and development in this new environment, and have suggested some possible ways to tackle them more effectively.

Although quite 'loosely', given the aim of the paper, policy recommendations have been provided at different stages, such as the need to act differently for the development of what is actually globalising, remaining local, or becoming 'glocal', to extend co-operative interventions to socio-institutional and technological factors which hinder and hamper economic performance, and to support development through the creation of appropriate knowledge-oriented capabilities, both social and individual. Simultaneously considered, all these suggestions, along with others that naturally follow from the approaches we have sketched in this paper, lead us to support those policy actions in which the linkage between international co-operation and local development is as clearly recognised as that between development and social capabilities, especially in form of human capital.

In this last respect, a notable example is provided by the Italian case, as is suggested by the similar prescriptions of two recent official documents: the new bill on "Policies and instruments of co-operation for development", approved by the Senate on the 29th of September 1999 and at this writing in discussion at the Chamber of Deputies, and the "Report on Southern Italy" requested by the Budget Commission of the Chamber of Deputies in February 1999. Indeed, sustainable and local development, customer satisfaction and liberalisation, public administration reforms, education and training, emerge as 'key-words' in both documents. Furthermore, strong cultural and

research, development and design, to the execution and co-ordination of processes of physical transformation, the marketing of goods, and so on" (Richardson, 1972, p. 888).

²⁵ Indeed, different models of capitalism are associated with different mechanisms for the generation of capabilities.

strategic motivations are emphasised by both as necessary to allow for a permanent change of the context, rather than a simple compensation for the implied disadvantages.

The former of the two documents is particularly instructive, as it gives the relevant authorities some crucial policy suggestions in order to improve the scope, the effectiveness and the efficiency of Italian international co-operation²⁶:

- (a) recognising and promoting the central role of 'decentralised co-operation' and voluntary non-profit associations, especially at local level;
- (b) distinguishing and possibly separating political from management tasks, in particular through the constitution of an autonomous agency which is also responsible for emergency actions;
- (c) delimiting the different spheres of action of co-operation policy and commercial policy;
- (d) increasing the involvement in monitoring and assessment systems, and combining economic, environmental and social evaluation;
- (e) placing education and training at the top of the policy-agenda, recognising and satisfying different needs at different levels and for different kinds of agents²⁷.

Although the reference is to quite a specific experience, and in many respects still to be further defined and implemented, it appears evident that all the items, and items (a), (d), and (e) in particular, are strictly interrelated with those factors, policies and practices that we have previously claimed as necessary for a virtuous relationship between international co-operation and local development.

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²⁶ As is reported in the same document, co-operation covers nowadays around 0.11% of the Italian GDP, definitely below the figure of 0.47% reached in the last decade.

²⁷ A certain attention is given also to the mismanagement of co-operation aid. However, also in this respect, the perverse results obtained from time to time are caused, among the others, by the incentive structure generated at the international level.

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Summary: International Co-Operation and Local Development (J.E.L. O1, O2)

This paper deals with some of the implications that the advent of the ‘globalisation-era’ has had on the relationships between co-operation (especially international) and development (especially local) and, throughout the same nexus, between development, innovation and structural change at different levels of analysis, i.e. national, international and local. Some of the ‘problem-posing’ and ‘problem-solving’ approaches that are most necessary in a development’ are put forward. The core factors of an increasingly complex setting are identified, and some methodological approaches and analytical tools we maintain particularly suitable in disentangling them are suggested.

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