

**TURIBA University**

**XXI International Scientific Conference**

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Theme:

**Latvian sustainable growth: balancing between the  
EU and national priorities**

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## Conference's instigating message

- Triple conference's ideas rotate around most pressing Latvian issues (as well as others): a) ***promoting sustainable growth***; b) ***searching for tools*** in such transition, and c) increasing ***national competitiveness***.

Reference to: <https://turiba.lv/en/research/scientific-conference>

- However, “searching for tools” is grounded in a more strategic political-economy's idea, i.e. about Latvian long-term development! Hence, the conference's participants and organizers have to deliver on that by working out some collective recommendations...

Most interesting articles to the conferences might be published in the university's scientific journal “*Acta Prosperitatis*”, issued yearly since 2010.

Reference to: <https://www.turiba.lv/en/research/journal-acta-prosperitatis>

## “Balancing” vs. “Integration” : introduction

European integration is partly *economic* partly *political*; primarily it is a sort of “*unification of economic policies*” among different states, through abolition of tariff and non-tariff barriers to trade (hence 4 EU’s “basic freedoms”).

This process is both about “**what**” and “**how**”:

- a) Analysis of the Latvian **sustainable growth** strategy is not really about “integration”, it is about “balancing”;
- b) Finding out the ways the **Latvian priorities** and the **EU’s political agendas** intervene is a “balancing” issue as well;
- c) Resolving “**conflict of interests**” between the states and the **EU** concerning “the European project”, previously called “integration”.

Reference material for the presentation in: *The Baltic Course Magazine* at:

[http://www.baltic-course.com/eng2/modern\\_eu/?doc=154803](http://www.baltic-course.com/eng2/modern_eu/?doc=154803)

## First: Latvian and European growth strategies

- The interest to the issue is enormous: about 10 million hits in the Internet/Google... Fresh and quite valuable analysis of Latvian economic development (2019) in:

[https://www.em.gov.lv/files/tautsaimniecibas\\_attistiba/leap/leap2019-eng-3.pdf](https://www.em.gov.lv/files/tautsaimniecibas_attistiba/leap/leap2019-eng-3.pdf)

- National priorities through the **EU's yearly support**: **energy efficiency** – €377 mln, **SMEs competitiveness** – €334.4 mln, and **innovation** – €195.5 mln.

**Totally about €1 bn yearly from EU...**

- Two remarks: - **OECD's "second opinion"** (LV's since 2016): <http://www.oecd.org/about/secretary-general/economic-survey-and-environmental-performance-review-of-latvia-may-2019.htm>;
- and **people's satisfaction (happiness index)**, see in: [http://www.baltic-course.com/eng2/modern\\_eu/?doc=154788](http://www.baltic-course.com/eng2/modern_eu/?doc=154788);

## Second: Latvian growth in global priorities & challenges

• Most important challenges include **generational** (human evolution), **governing** (new socio-economic models), and **cross-national issues** (inter-state relations), to name a few; these changes affect Latvian role/place in the world and in

Europe: some analysis has been made: Eteris E. **Latvia in Europe and the world: growth strategy for a new centennial**. Web-link:

<https://www.janisroze.lv/lv/gramatas/akademiska-un-profesionala-literatura/ekonomika-uznemejdarbiba/latvia-in-europe-and-the-world.html>.

= In global scene, the battle between “**economic liberalism & regulated one**” is going on... COVID-19 has shown that the latter is prevailing, e.g. through some urgently needed measures, incl. far-ranging payroll tax cuts, infrastructure plans, paid sick leave for hourly employees and a potential delay of some estimated tax payments, etc.

### Third: Latvian growth in “balancing policies”

- Combining main priorities:

= **global**: sustainable goals (SDGs); mitigating climate changes; **digitalisation** and artificial intelligence; **circular** and “**green**” economies...

= **European**: following Commission’s political priorities for 2020-24, e.g. two main: “**green deal**”, incl. LV’s industrial growth through smart specialisation strategy and **circular economy** practices; and **digital agenda**, incl. assisting industry and business in transformation to sustainable growth and achieving targets of a climate-neutral Europe. Plus: “smart specialisation” and innovation...

Main reference: Eteris E. **Latvia in Europe and the world: growth strategy for a new centennial** (2018)

Web-link: <https://www.janisroze.lv/lv/gramatas/akademiska-un-profesionala-literatura/ekonomika-uznemejdarbiba/latvia-in-europe-and-the-world.html>.

## The balancing issues - concept and principles

- European integration process historically used traditional approaches shown above (presently slightly modernized): e.g. through cohesion funds, subsidiarity, division of competence, European Semester, etc.;
- New EU political priorities up to 2024 and their successful implementation (six instead of previous ten) suggest involvement of some new approaches, including a “balancing model” in the relations between the EU institutions and the member states.
- Constant conflicts among the EU institutions and the member states on various issues (Brexit is a most vivid example) has shown that a familiar “EU’s integration path” has to be changed to something more adaptable to global challenges...

## Political aspects in “balancing”

- Main issue is “to balance” the EU political priorities with that of the member states;
- **Present six European political priorities** with two most vital in balancing: a “**green deal**” (incl. circular growth) and the **digital agenda**:  
More in: [https://ec.europa.eu/info/priorities\\_en](https://ec.europa.eu/info/priorities_en)
- **Four sub-regional strategies**: Baltics, Danube, Alps & Adriatic.
- Analysing the role of **elites and political parties** in forming national priorities;
- Two “**conflicts of political interest**”: a) among the member states, and b) among the EU institutions and the states.



## Economic aspects in “balancing”

- In reaching similar levels of socio-economic development among EU-27, present **five integration policies and funds** are not enough (e.g. **cohesion, social, regional, agro-rural and fisheries**);
  - National socio-economic strategies and policies are becoming more “domestic-oriented”; **combining & balancing national-EU priorities** in the European Semester... Plus, fiscal coordination; the monetary is already reached by 19 states...
    - Vital element in EU’s priorities: “**economy that works for people**” (jobs & investment is another “balancing” issue.
- More in: [https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people_en)
- Behind all economic progress as a “flashing red” concept: **peoples’ wellbeing** (mentioned in Latvian basic law!).

## Modern economic aspects in “balancing” - COVID-19 effect

- Presently, the *European priorities* are:

- ***Ensuring optimal health systems*** – national health systems are extremely different –from state funded to out-of-the pocket – additional resources are need;
- ***Providing liquidity for affected companies***: already announced great liquidity facilities: incl. numerous public guarantees and delays in tax collection, etc.;
- ***Protecting people's jobs and incomes***.: reducing the number of physical labour, turning it to robotics, online work;
- Important as well is - ***smart application in the EU's state aid*** framework (i.e. public funds shall be directed towards most perspective/competitive sectors of national growth!).

## EU measures vs. national: some examples - circular economy

- The **Circular Economy Action Plan**: to make more efficient present ways of production, use and disposal. A cornerstone of the European “green deal”, seeks to push the member states’ industries to get to net-zero carbon by 2050.
- Other elements include: -bans on the destruction of unsold goods and manufacturing products with their possible repair; - a strategy for greening textiles; -requirements for electronics companies to make phones and tablets which are easier to repair and recycle, etc. Generally: **turning from a “consumption” society to a “repairing” one!**
- A battle over the “national champions” and state-owned companies: among the EU institutions and the member states’ governments...

## EU vs. states in “balancing”: other examples...

- “Decarbonization of heavy transport and the role of hydrogen” April 2020 discussions;
- Over half of Latvian residential heating is based on “independent supply”, i.e. stoves and furnaces (often supplied with coal, which produces a heavy smoke...);
- During last 5 years Latvia received € 4,4 bn from various kinds of EU’s fund and assistance programs. However, during the next financial period, Latvian support will be reduced by at least 15%; this fact increases the “responsive aspects” in national governance and stimulating “balancing”...
- However, **3S strategy’s concept** for the Baltic States is most important: *smart specialisation strategies!*

## Conclusions

- Modern stage of European integration with 27 rather different states requires **adaptation** and **changes**;
  - Main changes shall be analyzed through a theory of “balanced interests”;
- Growing nationalism and populism movements have shown that **the role of states’ interests** are vital in “the European project” (i.e. integration & balancing);
- Three basic elements in “balancing” shall be under scrutiny: *political, economic and legal* (increasing confidence in the EU’s project);
  - A common denominator in “balancing” shall be **human’s satisfaction and happiness, i.e. wellbeing.**
    - On the COVID-19 effect on the Baltic States in:  
[http://www.baltic-course.com/eng2/editors\\_note/?doc=21165](http://www.baltic-course.com/eng2/editors_note/?doc=21165);

**Thank you for your attention!**

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