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## European Union's Competitiveness and Export Performance in Context of EU – Russia Political and Economic Sanctions

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### Abstract

This paper aims to explore performance of European Union's export in context of competitiveness targets enclosed in Europe 2020 strategy. Authors are addressing recent geo-political events regarding EU-Russia political and economic sanctions. Authors evaluate only economic results from sanctions and do not make an analysis of the nature of political sanctions. Paper gives an overview of the European Union trade performance within last 15 years and makes detailed analysis of the trade structure. Further, authors address European Union – Russia trade and nature of the trade. At the end of the article authors evaluate impact of the sanctions that took effect within a last year.

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### 1. Introduction

Lisbon strategy in year 2000 determined European Union's (EU) strategic goal of becoming the most competitive and dynamic knowledge-driven economy by 2010. Lisbon strategy aimed at revitalising innovation, growth and labour-market performance across the EU. Poor performance of the Lisbon strategy was widely discussed by many (Destefanis & Mastromatteo, 2012; Tausch, 2010), and learnings was brought into development of the new Europe2020 strategy (Čolić, 2012; European Commission, 2010; Hervás Soriano & Mulatero, 2010; Theodoropoulou, 2010) keeping in mind necessity for development of the economies of the member states and regaining

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competitiveness on the global stage. The Lisbon Strategy did not succeed, as the EU has not become the most competitive global region. Many critics claim that Europe2020 will not be successful either. Europe2020 goes beyond where its predecessor had by using three adjectives “smart, sustainable and inclusive” as a way of describing the quality of growth and the headline goals in the areas of science, eco-efficiency and social matters. But has Europe 2020 learned the lessons from the Lisbon Strategy, the ten-year programme that was supposed to transform the EU into ‘the most competitive and knowledge-based economy in the world’ by 2010? And another big question is about big differences in the economic performance of the EU Member states which still leaves a question about challenges of the cohesion and regional development in times of post crisis period and new challenges that brings EU – Russia political and economic relations.

## **2. Competitiveness of European Union**

The Europe 2020 Strategy was designed as a European exit strategy from the global economic and financial crisis that started in 2008, but it risks being somewhat overtaken by events in 2010. Before even having enacted the new strategy, the European Union (EU) already faces challenges of a further-reaching nature and different dimension. The economic and financial crisis has transformed into a sovereign debt crisis with the risk of contagion to other Eurozone members, calling into question not only the solvency of various member states but also many of the achievements that had already been taken for granted in the EU. The Europe 2020 Strategy, which received the go-ahead from the Spring European Council of 2010, is to reinforce economic policy cooperation with a view to promoting sustainable growth in the EU. It succeeds the Lisbon Strategy (2000-2010) and builds on the objectives and toolbox of the revised Lisbon Strategy of 2005 (focused on growth and jobs). Like the latter, it is driven by international competitiveness concerns and the promotion of productivity, growth and sustainability. It also makes use of the same governance framework (Bongardt, 2010; European Commission, 2010).

Authors in this article will take a closer look at the economic performance, international trade in particular, to inspect whether the innovation lead to higher added value in trade and increase in competitiveness. European growth has been disappointing in the past two decades. Europe failed to catch up with the US in factor productivity, and is growing slower than the US economy in and after the financial crisis. While Europe has a balanced external trade and relative stable export market shares, this is not the case for many EU Member countries and not for sophisticated industries. Competitiveness of the countries can be measured with different methods and criteria. One of the widely accepted methodology in comparing competitiveness is carried out by Claus Schwab in Global Competitiveness Report (Schwab, 2014). Methodology is based on measuring different areas of countries performance – so called 12 pillars. Competitiveness has increasingly gained currency across the globe and importance of it is higher than ever. The international trade theories explain that different countries have different comparative advantages. Thus, if a country is rich in natural resources or capital, it has a comparative advantage over the others (du Granrut, 1991; Porter, 1990; Porter, 2007). However, in the current knowledge economy, knowledge as a resource has no natural home base, its highly mobile and can be transferred easily anywhere in comparison to natural resources. This has made the XXI century more and more competitive (Pillania, 2009). Competitiveness and country competitiveness rankings have increasingly become important and various studies are carried out on the subject. While competitiveness of enterprises has been studied by many scholars around the world, competitiveness of nations is a relatively new discipline (Garelli, 2006). There are two internationally well recognized and popular annual rankings on the

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