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## Competitiveness Gap of the European Union Member Countries in the Context of Europe 2020 Strategy

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### Abstract

This paper is addressing issues of the competitiveness gap of the European Union member countries in the context of Europe 2020 strategy's smart growth. Authors are examining current competitiveness situation when economic performance of some countries are significantly better than others and how does it fit in the competitiveness framework set by Europe 2020 strategy. To have a closer look at the smart growth of European Union member countries authors examine R&D expenditures and their impact on patents and high-technology share in exports as one of the indicators of the competitiveness.

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### 1. Introduction

Europe 2020 is the European Union's ten-year growth and jobs strategy that was launched in 2010. It is about more than just overcoming the crisis from which our economies are now gradually recovering. It is also about addressing the shortcomings of our growth model and creating the conditions for a smart, sustainable and inclusive growth (European Commission 2010). European Union's competitiveness issue is still very topical despite a fact that Lisbon Strategy proved to be very difficult to implement and reach a target of the most competitive region in the world (Natali 2010; Tausch 2010). Being most competitive region in the world is still on the agenda of the European Union and roadmap of achieving it is enclosed in the Europe 2020 strategy.

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## 2. Current Competitiveness Gap of the European Union Member Countries

Before addressing smart growth issues of the European Union we have to take a closer look at the current competitiveness of the European Union member countries to identify current economic performance and challenges in the post financial and economic crisis period. 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 has increasingly gained currency across the globe. 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, 2007). However, in the current knowledge economy, knowledge as a resource has no natural home base 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 competitiveness of countries, namely Global Competitiveness Rankings and World Competitiveness rankings. The concept of competitiveness thus involves static and dynamic components: although the productivity of a country clearly determines its ability to sustain a high level of income, it is also one of the central determinants of the returns to investment, which is one of the key factors explaining an economy's growth potential (Schwab 2014). 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 performance – so called 12 pillars (Fig 1).

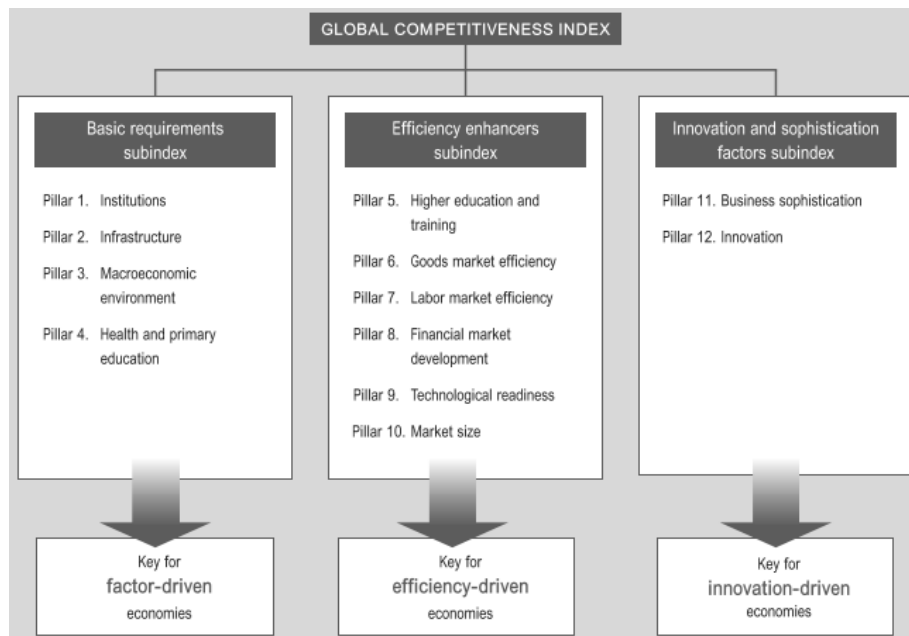


Fig 1. The Global Competitiveness Index Framework (Schwab 2014)

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