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## Innovativeness and Competitiveness of the New European Union States in Variable Economic Situation between 2006 and 2013

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### Abstract

The paper discusses the variability of indices of innovation and competitiveness of the European Union states that acceded to the EU on May 1, 2004 and January 1, 2007. Its purpose is to examine the changes in the level of innovativeness and competitiveness of the 'new' members and to compare them with the EU between 2006 and 2013. During the research, several methods were applied: a study of literature, an analysis of indices to measure innovation and competitiveness, a comparative analysis. The socio-economic situation of these states and the level of development at the time of acceding to the European Union were different. They felt the effects of the recent global crisis in different ways. Taking into account these factors, the authoress decided to analyse these indices between 2006 and 2013. The adopted scope of analysis will enable us to examine the influence of the variable economic situation on the level of innovativeness and competitiveness of the states surveyed.

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### Introduction

For over thirty years, the knowledge, technological progress and innovativeness have been considered crucial factors for sustainable economic development. These resources make it possible to achieve long-term competitive advantage both at micro, mezo and macro-economic scales, as well as in the global level (Romer, 1986; Lucas, 1988; Romer, 1994; Mankiw et al., 1992; Johnes, 1995; Eicher & Turnowsky, 1999). The economies, which are characterized by high innovativeness (with the use of a cooperation between science and the economy in innovation

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processes) achieve economic success at each of these levels, and are assessed as very competitive (Larédo & Mustar, 2001; Etzkowitz & Leydesdorff, 2001; D'Este et al., 2005; Anderson et al., 2007). The use of the knowledge and innovativeness sets out the pace and quality of economic growth and employment together with the prospects for the economy. The states that have mastered and improved the skills in this area, succeeded in the creation of very innovative and competitive economies (Metcalf & Ramlogan 2008). They are often referred to as knowledge-based economies. Other grow more slowly, still stuck in a trap of medium or low income, or threatened with stagnation.

This can be seen also in the case of states which make up the European Union. EU annual reports devoted to innovation (eg. The Innovation Union Scoreboard 2014, 2014) show considerable variation in this area of the individual Member States and the occurrence of four groups of states: *innovation leaders*, *innovation followers*, *moderate innovators* and *modest innovators*. Among the innovation leaders are the EU highly developed states (Sweden, Denmark, Germany and Finland). In the other groups, you can find both so-called 'old' and 'new' EU Member States with different levels of development. The extension of the Community between 2004 and 2007 by 12 consecutive 'new' members resulted in the inclusion in its structure of very varied states - 10 of them are post-socialist states, and 2 – capitalist ones. Their socio-economic situation and the level of economic development and innovation differed at the time of integration. They felt also the effects of the recent global crisis in a varied way. The years of belonging to the EU facilitated some 'new' states the improvement in innovation and competitiveness even in the economic situation fluctuating. Other, despite more than ten years of membership, remain at the end in the EU innovation rankings.

The aim of the study is to examine changes in the level of innovation and competitiveness of 'new' Community members (Bulgaria, Cyprus, Czech Republic, Estonia, Lithuania, Latvia, Malta, Poland, Romania, Slovakia, Slovenia, Hungary) and to compare in this respect their position at the background of the European Union. The research covers the period from 2006 to 2013. The scope of analysis adopted allows to investigate the impact of fluctuating economic position in the conditions of a global crisis on the level of innovation and competitiveness of the surveyed states. During the research of the problem, the following methods were used: a study of literature, an analysis of indices to measure innovation and competitiveness, a comparative analysis. To draw up the article, the literature on the subject, the innovation rankings of the European Union states and the rankings of economies' competitiveness were used.

The article allows to widen the knowledge on the innovation and competitiveness of Community members in the conditions of fluctuating economy (impact of the global crisis on these areas). It also helps to identify the distance that separates those states in those territories from other members of the European Union. The previous comparative research on innovation and / or competitiveness of the 'new' Member States was undertaken in relation to socialist states, without Malta and Cyprus being taken into consideration (Sanfey & Zeh 2012; Łącka, 2013; Łącka, 2014; Rodionova, 2013; Weresa eds. 2014; Zhuplev & Liuhto eds., 2014; Havlik, 2015).

## **1. The process of integrating 'new' EU states between 2004 and 2007**

In May 2004, another stage of EU enlargement by new members was started. The integration then included post-socialist states that went through political transformation towards a market economy and two states which had always been capitalist ones. The first group were: The Czech Republic, Estonia, Lithuania, Latvia, Poland, Slovakia, Slovenia and Hungary. While the second group was formed by Cyprus and Malta. The two other post-socialist states, which had also undertaken steps associated with joining the EU structures, i.e. Bulgaria and Romania, had to continue the action to make more efficient their judicial and administrative systems and to strengthen their economic reforms. Their degree of readiness for the integration was the least advanced and they were to become the members of the Community from 1 January 2007. Not only the history and experience of the membership in the Eastern bloc did differentiate the individual 'new' Member States. There were also other differing characteristics like, among other things: the state's size, structure and socio-economic situation, the level of GDP per 1 resident and the distance in this area compared to the EU average, the situation on the labour market (the unemployment rate), competitiveness or political situation (Babińska, 2004; Poland in the European Union ..., 2014). The enlargement of the Union was considered the historic opportunity to make do with the post-war division of Europe, to restore stability to the continent and to strengthen the largest single market in the world (five hundred million consumers).

Joining the EU, the new Member States hoped for the rapid economic growth and catching up with the wealth

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