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Latvian sustainable economy: discussing priorities

The issues of sustainable development are at the forefront of modern economic theories and practice. Hence, the importance of the conference organized by the Latvian Academy of Sciences (*Ojars Sparitis*, president) in cooperation with the “Latvians in the World Society” (*Andris Rugens*, chairman), which touched upon numerous sustainability issues pertinent to the Latvian progressive development.

Sustainable Development Goals (SDGs) have become an important part of national growth patterns rather recently: global leaders adopted at the 70th UN General Assembly in September 2015 a new global sustainable development framework: *the 2030 Agenda for Sustainable Development* (the so-called UN-2030 Agenda) having at its core the sustainability principles. Since then, these SDGs have been instrumental in shaping the national agendas in the European Union member states as well. They are slowly becoming the blueprint for sustainable development in the Baltic States. The 17 SDGs and their 169 associated targets are not only global in nature, universally applicable and interlinked; they are showing the most perspective strategies for a balanced manner integrating three sustainability dimensions: social, environmental and “economically technological”.

See: <https://sustainabledevelopment.un.org/post2015/transformingourworld>

The EU’s response to the global 2030-Agenda includes two directions: first, introducing the SDGs ideas into the *European economic policy framework* (and consequently, into current Commission priorities for the EU member states); and second, further developing the EU’s longer term vision with the focus of sectoral policies after 2020 and the long term SDGs’ implementation.

Important is that sustainable development requires both a *holistic* and *cross-sectoral policy* approaches to ensure that economic, social and environmental challenges are addressed together.

See, for example, “Sustainability becomes the Union’s priority”, in:

http://www.baltic-course.com/eng/modern_eu/?doc=125742&ins_print

Latvian “burning issues”

The conference’s participants (the conference took place on 13th of October in Riga) discussed, initially, “indicators & factors” in Latvian economy (*Andris Natrins*, Latvian Banking High School pro-rector); followed by the analysis of the public security issues within the framework of economic progress (*Edgars Volskis*, KPMG’s Baltics director) and impressive presentation of main sustainability problems in Latvian economic growth by *Janis Upenieks* from the Latvian Ministry of Economics.

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Thus, looking into the general trends and patterns in main Latvian economic sectors in the first half of 2017, one can see the ways sustainability can be “introduced”: real estate -14%, trade - 13.6%, manufacturing -13.2% (other industries - 5%), transportation - 9.2%, commercial services -8.6%, public administration -7.4%, education – 5.2%, ICT and digital - 4.8%, finances & insurance - 4.7%, health & social services - 3.6%, construction -3.2%, agriculture - 2.7%.

Final consumption makes about 83% of GDP; with 65% for households and 17% for public services. That proves the national planning doctrine about the internal consumption as the main driver for economic growth.

Other presentations at the conference deliberated the specifics in Latvian sustainability approach concentrated on consumption patterns. This idea is both in the SDGs agenda [for example, in goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and in goal 12 (ensure sustainable consumption and production patterns)], and in the recent trends in political economy. That was the idea of the 2017 Nobel Memorial Prize in economic sciences awarded to the US Professor Richard H. Thaler, whose works persuaded many economists to pay more attention to human behavior, and many governments to pay more attention to economics. His achievements demonstrated that standard economic theories do not describe actual human behavior, and that businesses and governments can use new approaches to increase growth.

See: http://www.baltic-course.com/eng/editors_note/?doc=18532&ins_print

With about 8.3% of population out of work, Latvia in May 2017 has been at the eighth place in unemployment level among the EU-28 states. For example, seven EU countries reported even higher joblessness than in Latvia: including Spain -17.7%) Italy -11.3%, Cyprus - 11%, Croatia - 10.7%, Portugal - 9.8%, France - 9.6% and Finland - 8.8%.

At the EU’s level and in the member states, the main concerns are *unemployment* - 31per cent and *immigration* - 26 per cent; the economic problems in 2016 have occupied the third place with about 19 per cent, unchanged since 2015.

See: http://europa.eu/rapid/press-release_IP-16-4493_en.htm

Smart specialisation and SDGs

SDGs are closely related to the EU and the member states’ development and the smart specialisation strategy approach, so-called “3S”. Among three main priorities in the so-called “European way of life” in the EU-2020 strategy, the first priority is national growth based on knowledge and innovation, so-called “smart growth” (two other are inclusive and sustainable growth). Thus among smart growth, there are the following directions: - improving EU productivity by increasing R&D and innovation performance; - better exploiting the potential of ICTs and creating a digital single market; - raising education outcomes, and - promoting perspective work skills.

The conference participants completely agreed with the EU’s priorities and discussed the ways of these priorities’ implementation in Latvia: e.g. Krisjanis Karins, Latvian MEP, Martins Abolins from “Citadele Banka”, Ilze Cirule from the National Revenue Service, etc.

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Another issue of interest at the conference was *competitiveness*, which includes also includes factors determining long-term growth and prosperity. For example four the Baltic Sea Region's states - Denmark, Finland, Germany, and Sweden - already in 2015 managed to reach position among the "top 10 group" (with Norway on the 12th position).

However, the positions of *Estonia (25)*, *Latvia (36)*, *Lithuania (40)*, Poland (48) and Russia (62) were far behind. In 2016, Germany, Lithuania, Norway and Poland improved their performance (while all other BSR member states had lost ground), with the BSR average becoming presently at the rank of 22.5, i.e. showing a very modest improvement.

Connections between the SDGs and the circular economy (CE) concepts have been quite important at the conference, as the CEs issues are most challenging for small countries in the Baltics and Latvia having educated work force but somehow limited other resources. Main perspective here, the participants argued, is closer cooperation between public and private sectors towards new CE methods and political decisions with new investment opportunities were revealed during the conference's debates. Certainly, business community and politicians have to be adequately informed along new "circular way of life". Thus, in Latvia, every year 275 cub m of various wastes is damped in nature: in the forests, along the roads, in the lakes, etc. See more in *Latvijas Zaļais punkts* and in www.zalais.lv.

Conclusion

Conference's participants have shown that "sustainability aspects" are having complex and rather specific character in Latvia oriented towards presently urgent socio-economic issues, seemingly distant from the globally recognized SDGs. Therefore, participants often touched upon such issues as "rational" taxation reform, demography, budget distribution and health, to name a few.

However, the conference - first of that kind in Latvia, organised by the Latvian Academy of Sciences reached a main purpose: sending the national scientific community a vital message: sustainability aspects are becoming a headline in the perspective national development.

Besides, as part of its follow-up and review mechanisms, the European Commission's Agenda-2030 for Sustainable Development encourages member states to "conduct regular and inclusive reviews of progress" at the national and sub-national levels.

The Latvian scientific community' growing concern about sustainability aspects will be channeled into the national new political-economy trends for socio-economic progress.

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