



PATRON & SUPPORTER



IV International Economic Forum

"FUTURE ECONOMY: globalisation challenges faced by Europe and the Baltics in the 21st century"

RESOLUTION

"We are here to create an environment for scientists, entrepreneurs, young people and all those who believe that the future depends on us and on our ability to work together!"

Dr. Nina Linde, Director of the Institute of Economics of the Latvian Academy of Sciences

On September 17, 2021, the **IV International Economic Forum "FUTURE ECONOMY: globalisation challenges faced by Europe and the Baltics in the 21st century"** was held with the aims:

- to create a platform for the exchange of experience and cooperation between scientists, entrepreneurs and politicians, stimulating foreign and local investment and an innovative economy in the long run;
- to strengthen scientific and socio-economic co-operation between the three Baltic States in order to move more rapidly and more purposefully to the level of Northern European development;
- to present the results of the research of the Institute of Economics of the Latvian Academy of Sciences;
- to focus attention on the most significant threats and opportunities that Latvia and other Baltic States will have to face in the development process.

The **main organizer of the forum** is the Institute of Economics of the Latvian Academy of Sciences. The **patron and main supporter** of the forum is SIA "Latvijas Mobilais Telefons". The organization and course of the forum was also supported by the following **partners**: RERE Grupa, State Research Program project "Interframe-LV", Latvian Academy of Sciences, Latvian Chamber of Commerce and Industry (LCCI), Latvian Telecommunications Association (LTA), Antonio Meneghetti Foundation for Scientific and Humanistic Research. Media coverage was provided by the following **informative partners**: LatvijasZinas.lv, Freecity.lv ("Открытый город") and Baltic Business Magazine.

The forum was attended by **103 participants from 8 countries** - Latvia, Lithuania, Estonia, Sweden, Austria, Spain, Uzbekistan and Kazakhstan. The forum was honoured with the attendance of the representatives of the Russian and Dutch embassies, as well as the ambassadors of 8 countries: H.E. **Hanan Al Aleeli**, Ambassador of the United Arab Emirates to Latvia; H.E. **Yasuhiro Kawaguchi**, Ambassador Extraordinary and Plenipotentiary of Japan to Latvia; H.E. **Sharon**

Rappaport Palgi, Ambassador of Israel in Latvia; H.E. **Andrian Rosa**, Ambassador of the Republic of Moldova to Latvia, H.E. **Timur Primbetov**, Ambassador of Kazakhstan to Latvia and H.E. **Kadambay Sultanov**, Ambassador of Uzbekistan to Latvia. The opening ceremony and plenary session of the Forum was viewed live by more than 10,000 participants on the platform "LMT Straume" and others.

The IV International Economic Forum was opened by the Member of the European Parliament, prof. **Inese Vaidere**, Minister of Education and Science of the Republic of Latvia **Anita Muizniece**, President of the Latvian Academy of Sciences Dr. **Ivars Kalvins**, Director of the Institute of Economics of the Latvian Academy of Sciences Dr. **Nina Linde**, Deputy State Secretary for Economic Affairs of the Ministry of Economics of the Republic of Latvia **Raimonds Aleksejenko**, Adviser to the President on Science and Education Policy **Ieva Silina**, Adviser to the Minister of Agriculture of the Republic of Latvia **Edvards Ratnieks**. At the opening ceremony of the forum, the letters of the President of Latvia Dr. **Egils Levits** and the Prime Minister **Dr. Arturs Krisjanis Karins** were read.

At the forum, with cooperation between Latvia's and other countries' entrepreneurs and scientists, an answer was sought on how to maintain and increase the competitiveness of the Baltic States in the face of growing global threats to sustainable development. **An open and genuine exchange of views, experiences and scientifically based forecasts of entrepreneurs, scientists and politicians** - the basis for the resolution of the Forum participants with an initiative and proposals to overcome the challenges of globalization and increase the competitiveness of the Baltic States.

Work at the IV International Economic Forum took place in a **plenary session** and in **three parallel sections**:

1. Challenges of the Latvian State and Society and its Solutions in the International Context;
2. Circular Economy and Social Entrepreneurship;
3. State Competitiveness: A Systemic Approach. Theory and Practice.

CONCLUSIONS AND PROPOSALS OF THE PLENARY SESSION

1. **The technologies of Industry 4.0 are completely transforming the business development chain.** The benefits of digitization are significant at all stages of business development: from the introduction of innovative products to more efficient decision-making and increased productivity based on real-time information and direct communication between customers and organizations. In order to ensure the success of Industry 4.0 in Latvia, **it is essential to achieve a positive interaction between innovation, digitalisation and competitiveness.**
2. Over the last ten years, the country's development has been strongly influenced by the 2009-2010 global financial crisis and the Covid-19 pandemic crisis, leaving its impact on the economy, human behavior and opportunities to meet their needs in Latvia and other neighboring countries. Over the last 10-15 years, the growth of the country's material wealth has been inversely

- proportional to the social wealth - the country's GDP is growing, but the population is declining. **Labour flows to other EU countries with higher levels of socio-economic development, which stimulates the emigration of the younger population.** This is the biggest challenge that Latvia is currently facing.
3. In Latvia, taking into account the purchasing power of the received salary, **the remuneration of employees does not correspond to the productivity of the labor force in the economic space of the European Union.** Latvia and the Baltic States face similar economic challenges - insufficient gross domestic product (GDP) and gross national product per capita, insufficient level of income per household, low level of labor productivity. Countries have relatively high unemployment rates and low levels of competitiveness in the global labor market.
 4. **In the conditions of globalization, Latvia faces serious problems of public administration,** which are facilitated by the inconsistency of government decisions and regulatory enactments with the threats and opportunities of national development, the low level of efficiency of public administration and reckless use of state budget funds for investment. The level of competence of the entities working in public administration is inconsistent with the content of the work to be performed, their level of responsibility for the adopted decisions and the responsibility for the work performed is low.
 5. **In the 21st century, the Baltic States, like other European countries, face significant environmental challenges:** a consistent increase in the ecological footprint, excessive consumption of biological resources and declining recovery capacity, an increase in waste per capita, a steady increase in built-up land and biologically active land. area reduction.
 6. Crisis of health systems, governments and economies are the three dimensions of the Covid-19 crisis. According to Eurobarometer data published in September 2021, Latvian society is the most dissatisfied in Europe with the government's actions in overcoming the crisis caused by the pandemic. **There is a need for a smart crisis management system based on a crisis management center led by the Prime Minister,** bringing together political parties, social and cooperation partners, civil society organizations and high-level public officials.
 7. **The COVID-19 pandemic has clearly demonstrated the importance of flexibility in the counselling system.** Therefore, the development, sustainability and resilience of countries and regions require learning from successful science-based advice and policy recommendations.
 8. **Higher education and research institutions are key players in regional / national innovation systems.** They focus on three missions: education, research, and engagement and knowledge transfer. The challenge for higher education and research institutions is to bring together all the elements of the 'knowledge triangle'.

CONCLUSIONS AND PROPOSALS OF THE SECTION "CHALLENGES OF THE LATVIAN STATE AND SOCIETY AND ITS SOLUTIONS IN THE INTERNATIONAL CONTEXT - INTERFRAME-LV"

1. The ongoing processes of change in the Latvian economic system and its two important segments - manufacturing and services - at the national level are growth-oriented and positive, but the assessment of the European Union countries is not optimistic, and Latvia lags behind the other two Baltic countries. According to the international assessment, in 2021 Estonia will be assessed as a strong innovator, Lithuania - as a moderate innovator, but Latvia - only as a future innovator. **Latvia needs to overcome the innovation gap by creating both an efficient innovation creation base and an innovation and knowledge transfer system, transforming new technologies into higher value-added products and higher productivity.**
2. The successful development of inclusive social policies, the coordination of educational and cultural activities with the needs of the organization of production, in accordance with the principle of subsidiarity and intergenerational solidarity, make it possible to strengthen social security, increase stability and increase personal confidence. Therefore, **there is a need for more effective dialogue and mutual cooperation between public administration, specialists involved in scientific work, entrepreneurs, non-governmental organizations and citizens.**
3. One of the solutions for promoting prosperity and reducing inequality and depth of material deprivation is **to increase the level of education of the society by engaging in work-based learning, lifelong learning, increasing financial literacy for representatives of different age groups.**
4. The development of recommendations for public administration policy using statistical data and societal models is an even more **scalable research task, including the development of the necessary infrastructure, and the results of research need to be put into practice in decision-making and policymaking.**
5. There is a statistically significant relationship between social activity and achievement and value orientations of self-realization - socially active people are open to change. Entrepreneurship is also statistically significantly correlated with social activity, incl. solidarity with fellow citizens in need. Empirical data show that the desire to become an entrepreneur correlates with greater economic and political optimism, as well as with the tendency to individualization. **However, employers are much more critical than employees and the unemployed about the regulatory framework for entrepreneurship, as well as entrepreneurs, although socially active, are pessimistic about the effectiveness of political cooperation and the opportunity to participate in political decision-making.**
6. Government documents do not identify socially active individuals and do not respect their interests when defining the policy of common good. Policy makers do not know how to identify social groups that share common experience and pragmatic interests, and do not envisage political cooperation

as a form of social activity to reconcile different interests. **The views of both professional and social groups need to be taken more into account when drafting government documents.**

CONCLUSIONS AND PROPOSALS OF THE SECOND SECTION ON SOCIAL ENTREPRENEURSHIP AND THE CIRCULAR ECONOMY

1. It is necessary to promote Latvian business support for the transition to circular economy business models, in particular - to promote cross-sectoral cooperation of policy makers, including in order to **maximally effectively adapt such important support to Latvian entrepreneurs - in the context of knowledge, financial support and resource efficiency.**
2. The European Union's textile industry generates at least 92 million tonnes of waste a year. However, the brands continue to produce and launch more and more new clothing collections during the year. In addition, around 30% of European wardrobes are already unused. The problem is not only the contents of the closet, but also the amount landfilled - about 35% of textiles are disposed of with other household waste. The European Union has determined that its Member States will have to start sorting textiles from 2025 onwards. In Latvia, it has been confirmed that the textile cover will be shared from 2023 onwards. However, much remains to be done: **a proper textile sorting system needs to be set up, which could also encourage recycling, which is still underdeveloped worldwide. It is important to develop the full cycle management of textiles in Latvia - from collection to processing.**
3. Latvia already has examples of good practice for various business models and solutions in the circular economy. However, **there is a need to better inform the public and businesses about good examples, the potential of the circular economy and its impact on both the environment and the economy, and to support their implementation and development in a wider range of businesses.**
4. There is a need to develop and implement more circular solutions in different industries and companies. To do this, leaders are needed to help forge new partnerships with all sections of society, including governments, businesses, workers, investors, non-profit organizations, and more. **This requires training programs and courses geared to the circular economy.**
5. Social entrepreneurship is becoming more and more visible, however, **in order to promote the sustainability of the field, it is necessary to involve local governments - both by promoting social entrepreneurship and by creating new support mechanisms aimed at creating new social enterprises.**
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7. Based on the statistics of 2020, the number of social enterprises operating in the field of environmental protection is only 4% of the total number of economically active social enterprises. Stakeholders (Ministry of Education and Science, Social Entrepreneurship Association, etc.) should carry out **activities to educate the public (especially young people) to promote interest in social entrepreneurship in the field of mobility / green economy.**
8. Social entrepreneurship in Latvia takes place within the framework of strictly regulated regulatory enactments and is in the initial stage of development, when ESF fund grants are essential for its development. Social entrepreneurship makes a significant contribution to improving the socio-economic environment in various sectors of the national economy in Latvia. The role and impact of social entrepreneurship is particularly important in promoting the employment of groups at risk of social exclusion in the social services, pre-school and primary education, sports and health services sectors. **Social entrepreneurship companies need more municipal support and special government support in the context of the Covid-19 pandemic.**
9. In Latvia, it is necessary to scientifically evaluate the development of social entrepreneurship and the socio-economic impact, as well as to determine the factors that hinder the development of social entrepreneurship in areas related to the circular economy. **It is necessary to include the scientific evaluation of social entrepreneurship and its connection with the circular economy in the state research program, to provide state support to scientists in this process.**

CONCLUSIONS AND PROPOSALS OF THE THIRD SECTION ON NATIONAL COMPETITIVENESS

1. Latvia has nominated its candidacy for the permanent seat of the United Nations (UN) Security Council for the period 2026-2027. The increase in Latvia's development assistance has also been officially mentioned as one of the most important factors for the success of the elections, however, **in order to successfully profile Latvia's campaign, a broader analysis of UN Security Council election campaigns and their success and failure factors must be carried out.**
2. **The vaccination campaign in the Latvian health care system revealed a fundamental problem - there is no unified health data register, which makes it difficult to make operative and high-quality decisions in a crisis situation.** Crisis management in the medical field during the Covid-19 pandemic has focused on solving acute problems, leaving the implementation of innovation-based solutions in the background.
3. **The structural model of universal basic income is an integral tool for transforming the socio-economic structure in the face of the challenges of the 4.0 industrial revolution.** The positive impact of universal basic income on social sustainability and innovation is based on income growth, supportive monetary and fiscal policies, reorganization of the financial system and social change.

4. Public administrations and businesses need to embrace the contribution of artificial intelligence, computer vision and sensor systems to the development of new processes and products. **Industrial change is inevitable and requires swift action to create sustainable innovative mechanisms.**
5. Latvia has seen a negative natural increase, and the population has been declining since 1990. The situation is exacerbated by the observed increase in the outflow of young people to Western European countries for quality education and better paid employment. **The emigration of Latvia's educated and skilled young people to more developed countries is a clear threat to the country's competitiveness and successful development. To reduce the threat, it is necessary to increase the quality of education domestically, as well as to increase the competitiveness of the local labour market.**
6. Design thinking - an innovative philosophy of thinking that includes five stages: research, problem definition, idea development, prototyping and testing. In a crisis caused by a pandemic, decisions have to be made quickly, so the stages of design thinking are not sufficiently explored. **There is a need to create an innovative science-based design thinking model in public administration that will promote successful, efficient and sustainable process management in the long run.**
7. Raising legal awareness is important among civil servants and employees of public institutions and in society as a whole. This can be achieved gradually through a long-term stable policy based on cooperation and dialogue between the state and society. **Therefore, investments in raising the qualification of the human resources involved in the process of drafting regulatory enactments are an essential precondition for reducing normativism.**

SUPPORTERS & PARTNERS



Institute of Economics of the Latvian Academy of Sciences
 Akademijas Square 1-1506, Riga, Latvia
 Phone.: +371 2020 7092
 E-mail: ei@lza.lv
 Website: www.eilza.lv