

Science Life

STRATEGY FOR FURTHER GROWTH OF LATVIA AND BALTIC SEA REGION: SYSTEMATIC ASPECTS¹

Edvīns Karnītis

Computing Department, University of Latvia, Raiņa bulv. 19, Rīga, LV-1586;
E-mail: Edvins.Karnitis@sprk.gov.lv

To ensure further sustainable growth, a system of strategic planning documents is developing in Latvia. The Saeima (Parliament) has determined a knowledge-based and human-centred growth scenario for Latvia, defining existent resources, setting goals (increase of life quality for each inhabitant of the country) and strategic principles to achieve the goal. The Cabinet of Ministers approved the National Development Plan 2007–2013 as a mid-term programme for implementation of the model; an integrated quality of life index was prescribed as the main development indicator. There is a similar approach and processes of development in all Baltic Sea Region countries; actually, all of them are interested in interchange of experience and strong transnational cooperation.

Key words: national development strategy, Baltic Sea Region, knowledge-based development, quality of life, strategic planning.

UNIFIED NATIONAL DEVELOPMENT PLANNING SYSTEM

Disintegration of the socialistic system showed anew that the political changes are much more dynamic than economic and social changes. After a dramatic fall of the economic indicators and life standard of the population during transition processes (that in the first half of the 1990s took place in all Central and Eastern European countries), a stable and rapid growth began only in 1995; which is well-indicated by a rise of Latvia's position in global rankings (Fig. 1) (UNDP, 2007).

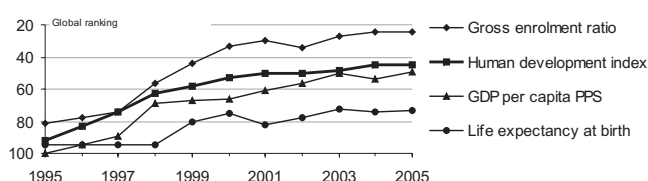


Fig. 1. Progress of Latvia in global rankings.

Development continues, at the same time with a slowdown of the progress already in 2003–2005, which showed an urgent necessity of preventive actions to ensure further sustainable growth. But even the most decent measures and activities, which are not well-coordinated and are without common advancement, will not provide to the country stable long-term growth and global competitiveness. Therefore, a strategic planning system is formed in Latvia, which is very much needed for further development, as it accents

the general growth trend and minimises the major braking factors—uncertainties and risks that relate to coordination, continuity and sustainability of development processes. Fortunately, we have overcome the frame of mind in the first independence years—nothing will be planned in future, a market will solve everything.

Productive collaboration of the highest level governance of the country (decision making and implementation institutions) with the academic community (experts) was achieved in the development of the planning system. Principles for development of the country have been elaborated and a number of closely interlinked and complementary documents have been accepted as a result.

To coordinate the activities for development planning, to supervise implementation of the programmes, and to ensure the concerted actions of governance institutions, regions, business, researchers and society, the National Development Council was established, which unites three major driving forces (government, academic community and business) under the leadership of the President of Ministers (Fig. 2).

All higher state governance institutes, together with experts, have been actively involved in the development of the planning system:

- the President of Latvia; Commission of Strategic Analysis under the auspices of the President has been established to generate a long-term vision of Latvia's development through interdisciplinary and future-oriented studies in the context of international processes;

¹ The report was presented at the XI Baltic Conference on Intellectual Cooperation, Rīga, October 9 2007.



Fig. 2. Development planning system: partnership.

- the Saeima; according to its functions a special Subcommittee on Monitoring of the Implementation of the National Development Plan was created; the Committee has broad actions and it is an analogue of the Committee for the Future of the Parliament of Finland;
- the Cabinet of Ministers has delegated practical actions to the Ministry of Regional Development and Local Government; an advisory expert forum has been created to assess the efficiency of activities carried out for implementation of the National Development Plan and to participate in dealing with other national strategic problems.

A conclusion can be drawn already today, that the involvement of experts and their productive mutual collaboration (evidently, because a number of leading experts in strategic development problems work simultaneously in a few institutions, which is typical for a small country) is the basis of the successful work. Experts are mainly representatives of the academic society. This is due to a change in attitude from that in the 1990s, as then it was considered that genuine scientists should not be involved in the solution of national-wide problems.

We will briefly examine a few core aspects of Latvia's future growth that have already begun. Due to several qualitative reasons the general situation similar to that in the other Baltic Sea Region (BSR) countries and in the region as a whole; therefore, some of discussed aspects can be interesting also for neighbouring countries.

KNOWLEDGE-BASED HUMAN-CENTRED GROWTH MODEL FOR LATVIA

In October 2005, the Saeima (Parliament) unanimously accepted a conceptual document Growth Model for Latvia: People First, which determines a sustainable knowledge-based and human-centred growth trend for Latvia in the context of the global development. The Model emphasises a strategic trinity that is a priority for any development process: resources – goal – strategic principles, as well the central, uniting core (Fig. 3) (Saeima, 2005; Karnitis, 2006a).

The presence of resources for development of the country, their exploration and estimation of adequacy for long-term activities is widely discussed. It is concluded that knowl-

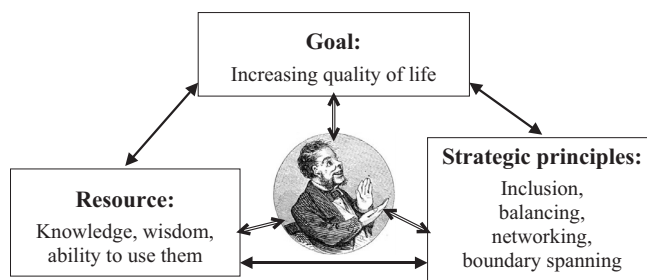


Fig. 3. Knowledge-based human-centred growth model for Latvia.

edge (capability, experience, competence, etc.) of Latvia's population, their wisdom and capability to utilize efficiently the accumulated knowledge potential forms our basic resource.

Knowledge becomes the major driving-force for development. Innovation and creativity in each job, new methods of work and work organisation form the basis of all processes. This resource does not mean refuse from usage of our natural resources (forest, minerals, arable land, etc.), power resources, capital, technologies, but vice versa, knowledge implies their efficient utilisation. A wise and thinking society is the cornerstone of internal and external security.

It is substantial whether there is a potential of our resource today and in the future, as well as its adequacy to ensure high long-term development rates in all spheres. Several surveys reached a common conclusion: a knowledge potential of satisfactory amount and quality in Latvia is available at present, but it is not as excellent as we would like to have (see, e.g., Karnitis, 2004b). And, what is much worse, it is not sufficiently nurtured, complemented and utilised, and our relative competitiveness decreases in comparison with other countries. Let us stress once more: Latvia lacks other sufficient resources.

If knowledge is the crucial resource for development, then it follows that human as a knowledge creator, holder, user and exclusive proprietor (an extremely important aspect: the state does not have any resource, it is disseminated among the population!) becomes the central factor for the development process. Knowledge-based development should become human-centred development; otherwise the process reaches a deadlock. This postulate is of principal importance for both development strategy and tactical activities.

To utilise the dispersed resource efficiently, each resident of the country has to be motivated to apply his/her knowledge, has to be concerned to cooperate with others to reach some benefits, to achieve targets that are essential for him. Therefore, the state's development goal primary has to be understandable for the population and conformable with their interests, in contrast to traditional goals that are oriented on state interests in the first place (e.g., growing competitiveness of the country). The aim of growth has to unite the whole population for common activities, and its compliance with the desires of Latvia's population becomes a decisive precondition for growth.

What are the priorities for the 2.3 million Latvia's residents? Public opinion polls show that they are very much humane. The main desires concentrate on factors that have importance for everyone: welfare (material, physical, psychological, etc.), security for individuals and family (legal, physical, social, etc.), sustainability—better future also for children and grandchildren (conservation of the environment, economy of material resources, cohesion of society, etc.). Such an association of substantial values forms the quality of human life (QoL) in the broad sense of this term (Karnitis, 2006b). Interests, values and perception of happy life are very individual, but in its essence, the very human appetite for a more decent life, for higher QoL, is a priority for everyone, and therefore, for all society. Also in the future QoL will not lose its importance. Bringing human in the centre of the growth model accents QoL.

Only inclusion of the entire population in the development processes will ensure efficient usage of the knowledge resource; general inclusion becomes a necessity to implement the Model, and inclusion is not a fashion term in this case. The interests of each resident have to be considered, and therefore, balanced improvement of all aspects of QoL is required; none of them is unimportant; the QoL of population critically depends on the insufficiently growing aspects.

All growth activities are strongly interlinked and a united network of activities is sensible as each activity has an influence on the others. Therefore, any activity has to be coordinated with others to achieve the optimum effect. Thus, we should stop the traditional dissociation within the frame of a separate ministry or sector, in the Latvia borders (e.g., it is impossible to elaborate economic policy without linkage with education, employment, health care and other human aspects). There is a need to implement the strategic boundary spanning principle—each activity expands also out of frames of the specific QoL aspect, through the frames of the corresponding sector, through the formal borders of the country.

A knowledge-based development trend has been chosen by all BSR countries. All of them have declared knowledge as the most considerable resource for their development; there is an accumulated critical mass of knowledge in the region that is necessary for implementation of this task. Also development goals are alike for all region countries. Understanding the substantial role of scholars in 21st century is a logical continuation of historical intellectual traditions. Increasing the QoL of the population is the top priority for all countries. The economic and social policy of the BSR countries is much more humane in comparison with other states, much more inclined to social cohesion and is more secure for society and individual. All of the above ideas are united by the popular term—the model of Nordic countries.

NATIONAL DEVELOPMENT PLAN

There are sufficient preconditions to implement the Model, but the practical activities have to be started immediately, as

there is a strong competition on knowledge-based development way. By timely recognising problems and risks that we face, it will be possible to concentrate resources to overcome them. Therefore, in July 2006, the Cabinet of Ministers accepted the National Development Plan 2007–2013 (NDP) as a middle-term complex programme to start implementation of the Model (Fig. 4) (Cabinet, 2006). The NDP

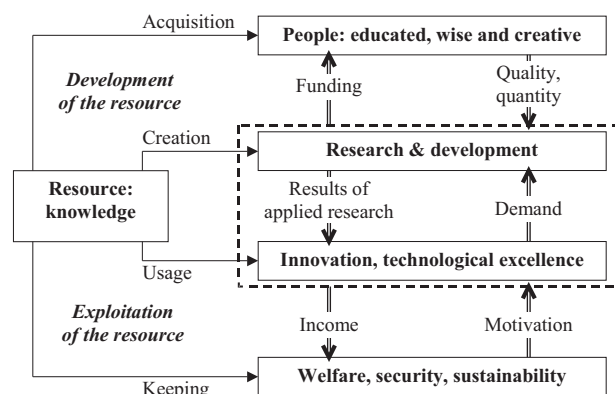


Fig. 4. National Development Plan 2007–2013: action lines.

includes a number of mutually interlinked activities to increase the QoL of the population. They can be united in four closely interlinked action paths:

- active mass-usage of the existing knowledge resource—innovation, increase of enterprise innovative capacity, sharp growth of the efficiency of usage of existing resources (human resources, knowledge level, investments, etc.) to increase outputs (products, patents, licences, etc.), selective governmental support to entrepreneurship (SME, export, etc.);
- enrichment and renewal of the knowledge resource, mass-production of new knowledge—fundamental science and applied research, commercialisation of their results, motivation of the academic society;
- general acquisition of knowledge, increase of human capital—education from kindergarten to life-long learning, quality of education and enrolment, change of basic criterion from what we know to how we are able to apply knowledge;
- increase of the QoL of population—human-centred social model, attractive living space (health care, culture, security, environment, clean water, etc.), confidence about stability in the future, cohesion of society (not only ethnic, but also the regional, material and other aspects), social participation and inclusion.

It should be stressed that such strategic planning does not mean a retreat from democracy and principles of the free market. While raising the knowledge level of society, understanding of the free market also grows; and regulatory elements (patents, intellectual property, monopoly and competition regulation, etc.) in the interests of the whole society

replace the wild capitalism. Already in a few years the most prestige Nobel prizes in economy (which are awarded by Sweden—country of our region!) were received for similar work.

The next chapters examine in detail a few major principles of the NDP, which are important in the context of the Baltic Sea Region.

QUALITY OF LIFE INDEX

To evaluate implementation of the NDP and the achieved progress without fear or favour, there is a need to determine QoL criteria as well as integrated quantitative QoL indicators on real changes of human life quality in Latvia. They have to correspond to the situation in Latvia and mentality of Latvian population. Therefore, a quality of life index has been developed, which comprises the main priorities of Latvia's society in the proportion conforming to our conditions and which is based on regular objective statistical data (CSA, 2006).

Twenty-eight life quality aspects are mentioned in the Growth Model. Naturally some of them are dominant and with a large specific gravity for the entire society, while other aspects are important for separate communities and at the same time less important for society as a whole. Aspects of the first group are the most important for estimation of life quality changes in the country. Performed surveys and public opinion polls clearly show the set of priority aspects that are needed to increase the QoL of our population, and therefore, should be included in the emerging index (Fig. 5).

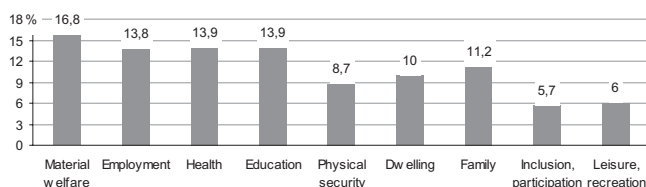


Fig. 5. Quality of life index: aspects and their densities.

One or a few statistical indicators were selected for quantitative estimation of each life quality aspect. Primarily, they are based on human thinking and interests (e.g., average income per household member is used instead of the traditional GDP per capita).

Aspects, which have been selected for estimation of the QoL, and indicators that characterise them are integrated; their specific densities in united QoL estimation for this purpose are determined. It is understandable that priorities differ and they are subjective. In addition they change during the life time. To obtain a quantitative assessment of the separate aspects and indicators in the QoL estimation for the population of Latvia, a wide circle of experts was attracted—scholars in social, humanitarian and natural sciences, economists, businessmen, politicians, representatives of various regions, who have preliminary experience in various spheres of the Latvia's development processes. Figure

5 shows densities of various aspects in the QoL index. Material welfare is and remains the most substantial aspect, but employment, health and education is very much close. The survival period has ended in Latvia.

A set of the most considerable aspects of the QoL will differ between countries, as well as densities of aspects in the index. But the proposed algorithm can be used also in other countries.

Analysis of processes in 2004–2006 shows a stable annual increase of the QoL (Fig. 6), but contribution of various aspects is very uneven. The imposing rise of material welfare (that contributes 73% of common increase of the QoL) insufficiently transforms in other aspects for the present. NDP foresees much more even input of aspects in 2007–2013 (e.g., contribution of the material welfare has diminished to 41%), but it is clear already today that large efforts and excellent coordination of actions will be necessary to achieve this.

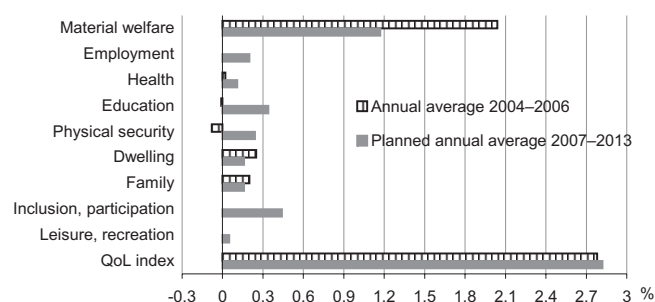


Fig. 6. Quality of life index and its components.

POLYCENTRIC DEVELOPMENT

A knowledge concentration process, the capacity of existing knowledge to attract and to create new knowledge, a natural formation of knowledge hubs are tendencies that have to be understood, promoted and exploited as the catalyst for knowledge-based development. Each such hub/centre is a driving force for development of the surrounding region, transforming its benefits and thus promoting growth of this region. Therefore, to ensure an increase of the QoL for the entire population, to achieve growth of the whole territory of the country, to achieve our goals using all available human capital, several knowledge/development centres distributed on the whole territory are necessary.

The former development model of Latvia has been pronouncedly monocentric. A great unjustified economic and social disbalance exists between regions presently (Fig. 7). A polycentric development model of country and a special role of Rīga in this context is a substantial NDP accent.

It is traditional that Rīga is an education (14 from 20 public and all private high schools with 80% of students), research (26 from 42 research institutions) and economic (57.3% from Latvia's GDP in 2006) metropolis, and its influence far exceeds the city borders. Actually, growth of Rīga, an effective interlinkage of Rīga with regions in a large meas-

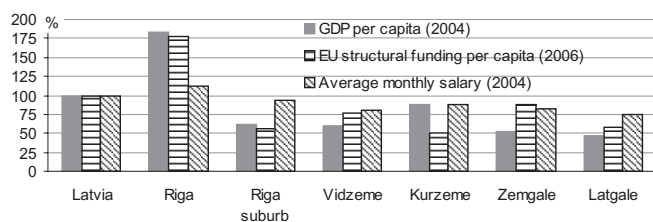


Fig. 7. Regional disbalance: there is four times larger contribution per capita in Latvia's GDP in Riga in comparison with Latgale; at the same time difference of average salary is 1.5 times.

ure determines the development and competitiveness of the country. And vice versa—the existing regional differences, low collaboration capacity of regions can already in the near future negatively influence the development of Riga, which in turn will be reflected in regions.

The NDP contains an algorithm for transfer of Riga's excellence, potential and resources to regions in order to promote their growth, hence creating conditions where all are beneficiaries, in which QoL increases everywhere.

In the first stage, Riga radiates knowledge to the regions. To absorb and to utilise knowledge, it is necessary to continue raising capacity in regions, including an increase of knowledge potential and management capacity, development of middle-term growth programmes, promotion of innovative business. The Riga's partnership can be various, e.g., joint innovation projects, various training activities, establishing of technology transfer centres and their connection with IRC Latvia, the development of technological centres, etc.

After an increase of the competence level in regions, in the second stage also the contribution of the regional partners for Riga will shape. To implement the algorithm, some concentrated critical knowledge mass is necessary in regions; the knowledge mass is forming regional development centres, typically including higher educational institutions with research institutes, technological/business park/centre, technology transfer centre, library/information centre.

It follows that really we can imagine only four development regions (Kurzeme, Latgale, Vidzeme, Zemgale) in the country, additional to Riga, as there is lack of human/knowledge resources for a larger number. It should be stressed that a development region is not synonymous to the administrative region (parish or district), and their functions also differ. Today, actually only Jelgava possesses an adequate knowledge mass to become a knowledge centre for Zemgale. One can evaluate positively the first promotional activities of Riga experts for development of regions—collaboration of Riga Technical University with Ventspils University College for establishing Hi-tech Park in Ventspils, as well as private Transport and Telecommunications Institute partnership with Daugavpils University in forming the Academic Park in Daugavpils.

In other comparatively small BSR countries also knowledge is concentrated in a limited number of centres, although in

all countries there is more than one such knowledge hub. Even in Nordic countries forming of new centres is important to achieve a steady growth of the countries. Partnership of the existing centres, first of all metropolises, would be a considerable contribution in development of new centres.

BALTIC SEA REGION – UNITED APPROACH AND INTERESTS OF COUNTRIES

It should be understood clearly that although a knowledge potential of Latvia's population in general can ensure implementation of the knowledge-based growth model, the objective factors—small human resources (0,034% of the world population) and volume of the national economy (0,055% of the world GDP) – seriously inconveniences the realisation of a full innovation cycle and creates a risk for growth of Latvia. To minimise the risk, a close and equal international collaboration becomes absolute necessary for Latvia, primarily regarding the nearest neighbours—BSR countries (Karnītis, 2004a).

BSR is an association of strong and dynamic countries. Their GDP proportionally considerably exceeds the population size (Fig. 8), and they are taking internationally acknowledged positions in various global rankings. Nevertheless, alike Latvia, human resources of other BSR countries also are too limited to have long-term strength to compete with global leaders. However, the collective capacity of the Baltic and Nordic countries both in the EU and global scale should be taken into account (0.48% of world population and even 1.53% of the world GDP).

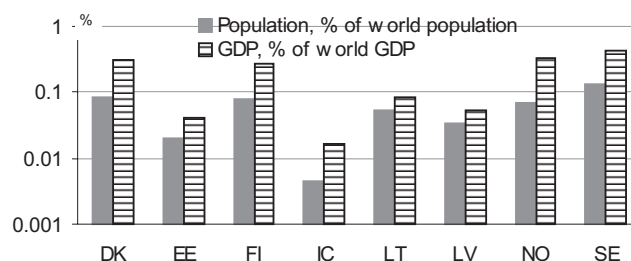


Fig. 8. Baltic Sea Region countries: human resources and GDP.

In practice, knowledge-based partnership actually means creation of a single knowledge space in the whole region, which includes all processes: education – research – innovation – development of products – production – market, in which each state applies its knowledge potential. Such a knowledge space should form the environment for collaboration model, achieving the necessary synergy. A high level achieved by the Nordic States and dynamism of the Baltic States makes such a model highly competitive in a global scale.

Unity of development resources and goals, described above, is a stable foundation for closer integration of the region. All BSR countries are interested in closer partnership and unity. It is a precondition for competitive growth of all countries of the region and it means strengthening our common values and priorities on the EU level.

Metropolises are the major knowledge centres of all BSR countries. Therefore, practical implementation of the single knowledge space would be built stimulating and strengthening the existing network of BSR metropolises, forming a *Hanseatic League* of the 21st century. In addition the current monocentric situation in Latvia is advantageous for us—capacity and competitiveness of Rīga in the network of region metropolises is much higher than Latvia's position among BSR countries.

Such a development scenario has been discussed at the expert level during many international conferences and meetings. The conclusions are similar: the proposal is optimum for all countries, its implementation will bring to all countries a possibility to utilise their advantages and potential, at the same time minimising the impact of weaknesses.

Now it is the turn of diplomats and governments. Their task is to create the necessary political and normative basis for the single knowledge space. A correspondent transnational political agreement is necessary for confidence of individuals and businesses in the long-term stability of the government policy, because development and marketing of new innovative products is a long and investment-capacious process. The following legal documents will ensure regulation of socioeconomic policy that is unified in the region and performed in interests of the society: forming corresponding normative environment, necessary support to the creative individuals, education and research institutions, innovative enterprises.

CONCLUSIONS: MOVEMENT TO THE UNITARY FEDERAL EU MODEL

The knowledge-based human-centred development model is not only Latvia's priority and even not a priority of the BSR countries only. Decisions of the Lisbon European Council 2000 promptly define it as strategic development scenario for the European Union. A question appears naturally: is all done to implement this scenario, int. al., is the current EU organisational model the most optimum for Latvia, BSR and whole EU to achieve the set goals?

Acceptance of the strategic decisions, which are necessary to work towards the set of common objectives, for the community of 27 countries, is heavy, long-drawn and far not always successful. An accent on tactical instruments and regulations is too hyperbolic for a network of countries. There is a free movement of persons, capital and products within the whole EU, a number of vital sectors (e.g., energy, electronic communications, agriculture) are scrupulously overregulated on EU level, but the economies of the Member States are still separate. And they are acting more frequently as competitors than in perfect unison.

It became necessary to reduce substantially the goals of the Lisbon strategy in a mid-term, because of poor coordination, irreconciled priorities and lack of political resolve. Ambitions to become the most dynamic and competitive

economy in the world were cancelled. And also the renewed (in 2005) Lisbon strategy will not be successful in the current EU model. It provides neither necessary unity of the resources and goals, nor an observance of the basic strategic principles. First thing, this concerns general inclusion and boundary spanning principles (current action style of the European Commission is the best example).

In the development model, which is based on research and innovation, the share of common EU funding is only a few percent. Thus, national interests and national product make a lion's share also in results. The large collaboration projects (e.g., Airbus, Galileo) continue to remain far too long. We continue to fall behind from the USA. China and India come closer by leaps and bounds.

There are no reasons to conceive that the intellect of Europeans is less capable. Obviously, fractioning resources and insufficient collaboration of countries is a substantial weakness. The situation will improve and actions will become more efficient, when the Member States will integrate more strongly moving to the unitary federal state model. EU is on this way already, it step by step obtains the indications of a unitary state—borders and visa system, normative environment, currency and the Central Bank, foreign policy. The current half-way situation is the most dangerous and it has to be overcome as soon as possible. Creation of a single knowledge space in the BSR would become a serious pilot project on this way.

Federalisation of the EU is advantageous for all Member States. This is a substantial guarantee for our competitiveness and sustainability. However, the global processes do not give us a long time to prepare. It can be estimated that in the next 5–7 years positions will have to become clear and strategic decisions should be approved. And therefore, purposeful and prompt creation of the single knowledge space in the BSR is in the interests of the whole EU.

REFERENCES

- Cabinet of Ministers. (2006). Latvian National Development Plan 2007–2013. <http://www.nap.lv/eng/>.
- Commission of Strategic Analysis. (2006). Quality of life index for Latvia. http://www.president.lv/pk/content/?cat_id=1852.
- United Nations Development Program. (2007). Human Development Report. <http://www.undp.org/hdro>.
- Saeima. (2005). Latvijas izaugsmes modelis: cilvēks pirmajā vietā (in Latvian). http://www.saeima.lv/bi8/lasa?dd=LM0815_0#b.
- Karnītis, E. (2006a). A knowledge-based human-centred growth model for Latvia. *J. Business Econ. Manag.*, 7(1), 95–101.
- Karnītis, E. (2006b). Increasing quality of life as the goal for development of Latvia. *Appl. Res. Qual. Life*, 1(1), 125–138.
- Karnītis, E. (2004a). Baltic Sea Region—a leader in the development of information society. In *Latvia in Europe: Visions of the Future* (pp. 148–168). Riga: Baltic Centre for Strategic Studies, Latvian Academy of Sciences.
- Karnītis, E. (2004b). Zināšanas kā resurss dzīves kvalitātes uzlabošanai – esošs, bet cik ilgi pietiekams. Grām. *Latvijas Universitātes raksti. Jubilejas izdevums* (66.–74. lpp.). Rīga: Latvijas Universitāte (in Latvian).

STRATĒGIJA LATVIJAS UN BALTIJAS JŪRAS REĢIONA TĀLĀKAI IZAUGSMEI: SISTEMĀTISKIE ASPEKTI

Tālākas ilgtspējīgas izaugsmes nodrošināšanai Latvijā tiek veidota stratēģiskās plānošanas sistēma. Saeima ir noteikusi uz zināšanām balstītu un uz cilvēku centrētu Latvijas izaugsmes scenāriju, definējot esošos resursus, izvirzāmo mērķi (dzīves kvalitātes pieaugums ikvienam valsts iedzīvotājam) un stratēģiskos principus mērķa sasniegšanai. Kā vidēja termiņa kompleksu programmu modeļa īstenošanai Ministru kabinets akceptēja Nacionālās attīstības plānu 2007.–2013.gadam, par galveno attīstības indikatoru nosakot integrētu dzīves kvalitātes indeksu. Līdzīga pieeja un attīstības procesi ir visās Baltijas jūras reģiona valstīs; faktiski visas valstis ir ieinteresētas savstarpējā pieredzes izmantošanā un ciešā starpvalstu partnerībā. Ziņojums nolasīts 11. Baltijas intelektuālās sadarbības konferencē, Rīgā, 2007. gada 9. oktobrī.