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Central Europe: competitiveness through innovation and collaboration

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Yearbook of the Institute of East-Central Europe (Rocznik Instytutu Europy Środkowo-Wschodniej) is a quarterly, published in Polish and in English, listed in the European Reference Index for the Humanities and Social Sciences (ERIH PLUS), Central and Eastern European Online Library (CEEOL), BazEkon and IC Journal Master List (Index Copernicus International). In the most recent Ministry of Science and Higher Education ranking of journals published on the Polish market the Yearbook of the Institute of East-Central Europe received one of the highest scores, i.e. 14 points.

Anna Visvizi

Central Europe: competitiveness through innovation and collaboration

Since the collapse of Communism, the economies of Central and Eastern Europe have recorded unprecedented levels of growth and development, even if the resultant benefits and advantages have not been evenly distributed among the society members. On all accounts, Poland stands out in this group of countries. The uninterrupted period of growth that Poland's economy experienced serves as a confirmation of the aptness of regulatory changes introduced in the early 90s. Also it is a tribute to the Polish society's commitment to the right cause and, subsequently, to its support to the reform process that in a path-dependent manner enabled Poland to institutionalize its external relations through membership in diverse multilateral fora, including the European Union (EU).¹ Poland, along with Australia, withstood the shockwaves the Lehman Brothers' collapse sent across the globe, recording positive growth rates in the midst of a daunting recession. Clearly, cues of backsliding have been identified and discussed.² Hence, resting on the laurels has never been an option.

- 1 A. Visvizi, 'A country is never on its own, others can be helpful. External linkages: institutionalization and support of individual states', in: K. Żukrowska (ed.), *Transformation in Poland and in the Southern Mediterranean. Sharing experiences*, Warsaw: Poltext, 2010, pp. 60-80.
- 2 A. Visvizi, P. Tokarski, 'Poland and the Euro: between lock-in and unfinished transition', *Society and Economy*, vol. 36, issue 4, 2014, pp. 445-468.

Nearly three decades have passed since the June 4 elections in Poland and many variables defining Poland's domestic and external environment have changed since. This new combination of endogenous and exogenous factors exerts powerful impact on Poland's economic potential, capacity and performance. Certainly, the same applies to Poland's neighbours. Critical in this discussion is the question of competitiveness; it has always been. The point is that today also competitiveness, incl. the way we conceptualize it and, so the policy-making tools we employ to boost it, requires a rethink. Consider the changing structure of the economy, shifts in the production and value-creation processes, new concepts and approaches such as circular economy³ or sharing economy⁴, demographic changes, the increasing pace of urbanization, to mention just a few. All of these developments, processes and trends have been influenced by advances in sophisticated information and communication technology (ICT); and that impact will amplify.

Indeed, the most recent Global Competitiveness Report⁵ introduces important modifications to the model used to assess competitiveness. Now, emphasis is placed on human capital, agility, resilience, and innovation. The understanding is that these factors play and will play decisive role in determining a country's competitiveness as the pace of the 4th Industrial Revolution increases.⁶ Importantly, as the Report highlights, "competitiveness is not a zero-sum game. [and] the pursuit of national competitiveness does not undermine global cooperation – indeed, openness contributes to competitiveness"⁷

This issue of the *Yearbook of the Institute of East-Central Europe* (#YIESW) offers an insight into a variety of issues and developments that shape Central Europe today. Competitiveness and its enablers define the thrust of the analysis in this volume, thereby opening the discussion to other related topics, incl. cross-border collaboration in

3 J. Korhonen, C. Nuur, A. Feldmann, S. Eshetu Birkie, 'Circular economy as an essentially contested concept', *Journal of Cleaner Production*, vol. 175, 20 February 2018, pp. 544-552.

4 K. Frenken, J. Schor, 'Putting the sharing economy into perspective', *Environmental Innovation and Societal Transitions*, vol. 23, June 2017, pp. 3-10.

5 K. Schwab (ed.), *The Global Competitiveness Report 2017-2018*, Geneva: The World Economic Forum, 2018, p. 1.

6 *Ibid.*, p. 2.

7 *Ibid.*, p. 19.

the EU, public investment funding, political cleavages and corruption, as well as drivers of competitiveness at company level. The overview of economic developments in Central Europe would be incomplete if France or Germany were not mentioned. Hence, a thorough analysis of France's post-crisis relative under-performance is a very useful addition to the issue in that it allows to place Central Europe in a broader EU context. In a similar manner, by discussing the case of the Belt and Road Initiative and its implications for Central Europe, the broader international context in which respective countries are embedded is portrayed.

Marian Gorynia, Jan Nowak, Piotr Trąpczyński and Radosław Wolniak approach the notion of Poland's competitiveness by exploring the concept of investment development path (IDP). By applying it to case of Poland, the authors evaluate Poland's current positioning and, hence, stage of development. The main conclusion is that Poland is at the end of stage 2 of its IDP, i.e. it is behind the position that its GDP level would imply. This is mainly due to the pull of the large domestic market, the still weak competitiveness of domestic firms in international markets and the reluctance of the government to adopt more active, firm specific ownership advantage that would stimulate policies towards outward FDI.

Małgorzata Dziembała applies a mezzo-level perspective to competitiveness by dwelling on collaboration in border-regions. – *Do EU cross-border cooperation programmes contribute to competitiveness and cohesion?* The analysis of the implementation of European cross-border programmes pertaining to the Polish-Czech borderland has indicated that the measurable outcomes of the support that was provided manifested themselves in many areas, particularly in education, the environment, transportation, and culture. In the analysed programming periods, the directions for support granted under the cross-border programmes have been slightly modified. In the 2014-2020 programming period, a stronger emphasis is placed on support of employment growth through the use of the cultural and natural potential of these areas, risk-related issues, entrepreneurship, education, and the development of a cooperation network. Andrzej J. Żuk, in his paper titled 'Towards cross-border integration of border regions in the European Union: the conception of cross-border region', adds to this discussion by elaborating on the concept of cross-border

region. In this context the notion of innovation enhancing policies in these regions is outlined.

Agnieszka Kłos discusses barriers to the implementation of financial instruments under cohesion policy. The author explains that one of the main sources of financing investments in the public sector are preferential loans or guarantees granted under European funds. The article presents the current legal system for the implementation of financial instruments, legal and systemic issues that hinder the use of this form of support, including the overlapping of financial instruments of two financial perspectives, and a proposal for new legal solutions aimed at simplifying the implementation of financial instruments in the 2021-2027 financial perspective.

Marjan Sternad and Gorazd Justinek look at the micro-level of competitiveness by examining the connection between logistics and overall business performance. As the authors argue, logistics has turned into a factor that determines a company's competitive advantage. Frequently, local organizations, should they be considering the provision of reliable service on their domestic market, have to strive to achieve competitive advantage over overseas organizations also present therein. The authors elaborate on this issue and its determinants.

In his paper, titled 'The New Silk Road and Central Europe: Eurasian integration with Chinese characteristics', Krzysztof Kozłowski dwells on the potential and challenges inherent in this initiative. The author examines the perceived and the actual opportunities the implementation of the Belt and Road (BIR) Initiative in Central Europe generates. Chinese policies pertaining to Central Europe are examined as a function of a broader pattern of Chinese regional cooperation policies.

By changing the focus of the analysis, Cristina Matiuta elaborates on the socio-political evolution of Romania. By employing Rokkan's concept of political cleavage, the author maps political cleavages in Romania prior to and after the communist regime. Miklós Somai, in his paper 'France: soft crisis, hard recovery – eroding influence in Europe?' sheds light on the question of the French economy's apparent inability to head off to the path of sound economic growth. To explain that, the author considers both the specificities of French capitalism (centralisation, rigidities, delays in structural reforms, etc.) and specific EU policies (pre-eminently the monetary one). It is argued that a thorough examination of this issue is of the utmost importance

considering that a permanent shift in the balance of power between France and Germany might prove detrimental to the European integration process at large.

The discussion in this issue of #YIESW is complemented by two more items: a report from a debate on multilateralism and Central Europe, i.e. *The Paris Debate*, and a review of a recently published volume on Central Europe. An idea of HE Ambassador Professor Aleksander Surdej, Permanent Representative of Poland to the OECD, the Paris Debate was held in February 2018. Thanks to Professor Maciej Forycki, Director of the Scientific Centre of the Polish Academy of Sciences (PAN) in Paris, the event was hosted in the centre's beautiful premises in Paris. The IESW had the honour of assisting the organization of the event. Titled 'International Organizations and Multilateralism: A View from Central Europe', the purpose of the well-attended event was to discuss topical issues pertaining to (the state of) multilateralism today.

The book, *Central and Eastern Europe in the EU: Challenges and Perspectives Under Crisis Conditions*, reviewed by Izabela Czepirska, documents and examines the complexities of the multidimensional processes of transformation and development that have taken place in Central Europe over the past 25 years. Published by Routledge, and edited by Drs Christian Schweiger and Anna Visvizi, this volume is a unique account of Central and Eastern Europe at a turn. Given the breadth and depth of the analysis, it represents a significant contribution to the overlapping debates on Central Europe, European integration, democratization, liberalization, systemic transition and transformation. Published in May 2018, this volume remains the most current account of the socio-economic and political developments in the region of Central Europe so far.

The publication of this issue of #YIESW would not be possible without reviewers and their constructive comments that prompted a dialogue with the authors of the papers included in this volume. #YIESW follows very strict editing and publishing standards consistent with double-blind review and – the resulting – several rounds of the revision process. As of this year, #YIESW started issuing certificates for reviewers, thus adding to transparency and accountability of the review process. The Editors of #YIESW are grateful for the financial assistance provided by the Ministry of Foreign Affairs of the Republic of Poland that made the publication of the journal possible. As a result,

the papers included in this volume are available both in print and online (open access). The publication of this volume of #YIESW would not be possible had it not been for the hard work and commitment of the entire team of the Institute of East-Central Europe (IESW), contributing to the work of IESW and safeguarding its legacy also in a *pro bono* manner. #YIESW remains the leading Polish quarterly open to interdisciplinary debate on Central Europe, including its history, politics and society. Through its international outreach, #YIESW plays an important role in promoting knowledge and understanding of the region's specificity, and in shaping the region's image internationally.

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