

Challenges and opportunities for the economies

Jaroslav Vlach¹

DOI: 10.32725/978-80-7394-976-1.19

Abstract: Current economic, social, and political development in the world brings changes in the condition of individual economies as well as their competitiveness, the use of new technologies, and innovations. Thanks to COVID-19 and the Ukrainian conflict, we are even talking about a crisis. The pace of coping with difficulties, i.e., crisis and overcoming obstacles depends above all on the strength of a particular economy, on the innovativeness of its companies and management, i.e., science, research, innovations, and experiences from everyday life. But it also depends on the cyclical phases of the life of the particular society, because the course of history is not just a linear process. The goal of this paper is to search the answers for the following questions with using the secondary data. Can the current emphasis (at least in our conditions) on science, research, innovation be a brake and at the same time a way out of this crisis? Or are they just buzzwords like perestroika and glasnost in the second half of the 1980s? Communists in the former Soviet bloc looked up to them with the hope that they would save that social order. Socialism was supposed to be reformed and consolidated through them. In the end, it ended up in the abyss of history. Is today's overuse of the words – development, research, innovation, science – the realization of our political and economic elites that we are at the end, because nothing grows forever and that we are facing a slow, cascading, or rapid fall, and science, research, innovation, agile management are an attempt to slow down the fall? I believe in a person as a bearer of ideas, not in repeating buzzwords. The EU approved many tools and platforms to support R&D for which it has released large sums of money, but the whole European perspective regarding to its own birth rates isn't good.

Keywords: economy, political, innovation, competitiveness, reformation

Jel Classification: 030, 031, 032

1 Introduction

The scientific conference block of opportunities and challenges evokes in my mind the time not long ago.

They also talked about new opportunities and challenges in connection with perestroika and glasnost, but today the main words in the economic field are competitiveness, innovation, science, and research.

The Green deal also belonged among them half a year ago.

Forty years ago, the Communist regime wanted me to love the Soviet Union. It didn't work. I didn't believe them. Not only because I do not agree with the class struggle, but because of the obvious contradiction between the ideas and the daily practice in which I lived.

At the beginning of this post, I would like to emphasize that I don't want to think of economy as separate, but as one of the very important driving forces. Economy as a tool, not the goal of human endeavor, or even human being. Economy creates sources², i.e. energy penetrating other aspects of the state, society, international organizations, or the entire circle of civilization.

The powerful economy and its healthy development can be considered a weapon that affects other elements of power, political stability, the political system, the functionality of institutions, and their interconnectedness.

Ideology, of course the power of the army, the power of the word in world diplomacy and cultural and social appeal, soft power (Nye, 2004).

The aim of my paper is to look for possible answers to the questions posed in the Abstract.

¹ University of South Bohemia in České Budějovice, Faculty of Economics, Department of Applied Economics and Economy, Studentská 13, 370 05 České Budějovice, Czech Republic, vlachj03@jcu.cz

² „There are enough sources.“ The statement by the former Prime Minister of the Czech Republic Vladimír Špidla.

2 Methods

I will use publicly available secondary data for my chosen indicators, and I will compare and evaluate them. I am going to follow up the United States Census Bureau, WHO, Eurostat, Visual Capitalist, UN, Pew Research Center, OECD. I will focus on data and strategy documents concerning the support of innovation, competitiveness, the priorities of the EU on this field. I will work with the factors of longevity, age, muslim migration and their share of the total European population and birth rates. I will be interested in the GDP of developed economies, namely the EU, the USA and China. I will also use the basic data from the public sources on migration in the context of the Ukrainian conflict. Using some historical parallels, I will study the present.

On the basis of this comparison, I will summarize the result of my activity at the end of the article. The data will relate to a) the current period and b) forecasts for future years.

3 Research results

The EU has adopted a number of measures and instruments in support of science, research, innovation, and competitiveness.

It started:

2000: Lisbon strategy (2001-2010) EU should have the most competitive knowledge economy

European Research Area (ERA) - ERA: "Science knows no borders", but national systems are limited by borders

2002: Barcelona target – invest to research and science should be 3 % GDP by 2010

the ERA environment must be such that 2 % are invested by the private sector, 1 % by the public sector

2010: Strategy of Europe 2020 (2011-2020)

- Smart growth (support for research, innovation, education, and the digital society)
- Sustainable growth
- Inclusive growth (job creation, skill acquisition, and the fight against poverty)

Strategic agenda of the European Council (2019-2024)

Four priorities:

- Protection of citizens and freedom
- Development of a strong and economic base
- Building a climate-neutral, green, fair, and social Europe
- Promoting European interests and values at global level

Horizon Europe (2021-2027)

The EU has a Green Deal: Europe wants to be a „climate neutral continent” by 2050. It is a very important issue at present due to the war in Ukraine. Is it still actual, or not anymore? Europe will have a problem with sources, in my opinion. But opinions differ.³

The European Innovation Council will have 10 billion EUR available (Vlach, 2022).

I don't want to elaborate more on other supporter tools of R&D or to write about concepts such as Blue Economy, Circular Economy,⁴ and similar courses. I don't want to review a share of the Venture Capital in the field of innovation or GERD⁵ either.

³ We will see what the climate change conference COP27 in November 2022 comes up with.

⁴ My apologies to Professor Kislíngrová and other authors from the University of South Bohemia who wrote the book which is called „The Circular economy and economics. “

⁵ GERD (Gross Domestic Expenditure on **R&D**)

Innovations are important, but a person is essential. A man is the main driving force. When I omit Divine force (for the purposes of this article), it does not matter if it is an individual or several individuals in a community, which we call a state or an international organization. Man thinks, creates, begets, feels, but also hates, and loves.

Almost 8 billion people live in the world today. Almost 11 million in the Czech Republic and almost 450 million in the EU. There is none of the EU countries among the ten countries with the largest population.⁶











By simple calculation, we find that the EU accounts for less than 6 % of the world's population.

According to Eurostat:⁷ In 2017, the GDP of the EU-27 represented 16.0 % of the world's GDP, expressed in PPS. China and the United States were the world's two largest economies, with shares of 16.4 % and 16.3 % respectively. India was the fourth largest economy, with 6.7 % of global GDP, followed by Japan with 4.3 %. Germany was the largest EU economy, with a 3.7 % share of world GDP.

The GDP of the EU creates is comparable with the People's Republic of China, which has a population of more than 1,4 billion. It is approximately 18 % of the world population. In the first view, it seems good news. But,

if we look at the European Union in more detail, its aging is a big handicap. As we can see in Table 1. Among the ten countries that have the most people over 65 years of age are nine EU members and at the very top there is Japan with almost 30 % share. Unfortunately, it is not just about aging.

Table 1 Share of the Population older than 65 (% of total, 2019)

 Japan	28.0%
 Italy	23.0%
 Portugal	22.4%
 Finland	22.1%
 Greece	21.9%
 Germany	21.5%
 Bulgaria	21.2%
 Croatia	20.8%
 Malta	20.8%
 France	20.3%

Source: Visual Capitalist⁸

The following table ranks countries by their rate of population decline, based on projected rate of change between 2020 and 2050 and using data from the United Nations.

⁶ Based on: <https://www.census.gov/popclock/>

⁷ Based on: https://european-union.europa.eu/principles-countries-history/key-facts-and-figures/life-eu_cs

⁸ Based on: <https://www.visualcapitalist.com/worlds-youngest-and-oldest-countries/>

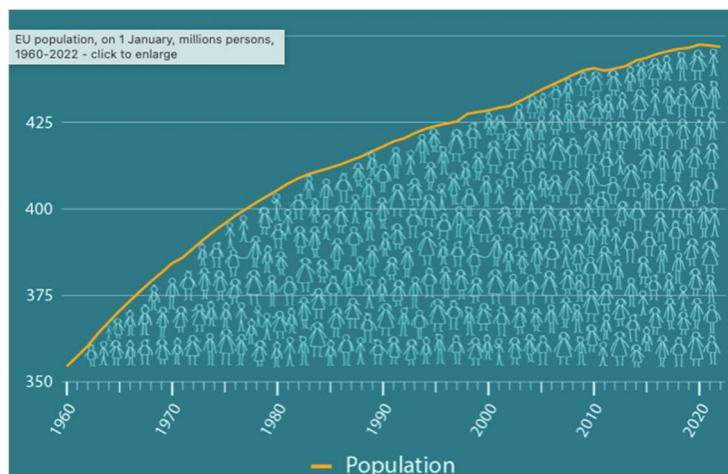
Table 2: Countries by their rate of population decline

1	 Bulgaria	22.5%
2	 Lithuania	22.1%
3	 Latvia	21.6%
4	 Ukraine	19.5%
5	 Serbia	18.9%
6	 Bosnia and Herzegovina	18.2%
7	 Croatia	18.0%
8	 Moldova	16.7%
9	 Japan	16.3%
10	 Albania	15.8%

Source: Visual Capitalist⁹

Even in the table above, we can see the slow extinction of Europe, because in the first ten countries, apart from Japan, there are only European countries. The Figure 1 indicates it at present in EU (see below). I realize that it can be only a minor migrant wave during the Covid-19 pandemic.

Figure 1 The EU population continues to decline for the second year



Source: Eurostat¹⁰

4 Discussion concerning the theme

We talk about a crisis, but what kind of a crisis? Is it the hegemonic crisis (Wallerstein, 2005) or the capitalist crisis (Thompson, 2009) or the civilization crisis (Toynbee, 1948)? In this case I mean our Euro-Atlantic civilization, because as I stated above, each community or state is at a different stage of development.

Lu Suet said:¹¹ „We cannot tell people who hardly earn for living to reduce their emissions “(Lomborg, 2008, p. 38). In our civilization, which grew on Christian and Jewish foundation, our European bureaucrats with a monthly income of 20 thousand Euros or more have different concerns. „EU accused of trying to cancel Christmas!¹² Advice on inclusive language dropped after criticism “(Politico, 2021).¹³

⁹ Based on: <https://www.visualcapitalist.com/ranked-the-20-countries-with-the-fastest-declining-populations/>

¹⁰ Based on: <https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/ddn-20220711-1>

¹¹ Lu Suet, the former representative of China's Bureau of Global and Economic Affairs.

¹² „It died not by murder, but by suicide “(Toynbee, 1948).

¹³ Based on: <https://www.politico.eu/article/european-commission-cancel-christmas-inclusive-language-lgbtq/>

China began to collapse thanks to the senseless rejection of foreign trade. „Your beggar’s trade “(Smith, 2001, p. 605). By doing so, it deprived itself of benefits of the international division of labor, and on top of it „conflict and series of epidemics reduced the population of China by 35-40 % in the years 1580-1650“(Ferguson, 2014, p. 60).

Significant population decline and introversion cost China a position to which it has been returning to for several decades (Xiaoping, 2017). It is supposed to overtake the USA around 2030.¹⁴ As the current Chinese president Xi Jinping said: „China’s greatest dream is the great revival of the Chinese nation “(Allison, 2018, p. 203). I chose the analogy with China on purpose. I know that every comparison falters. Many European countries, such as the Czech Republic, are pro-export economies.¹⁵

If our input energy sources are high, our products will be unsalable on global markets. They will be uncompetitive, no matter how innovative they are. Restrictions on international trade will affect the quality of European and thus national life. The gas, oil and electricity price jumps extremely fast.

Europe is growing old, and it is also dying out just like China at the turn of the 16th and 17th centuries. It is a fact confirmed by the data.

Some European states have previously solved their demographic crisis by opening the gates of migration from other civilizations. „By 2050, the share of the continent’s population that is Muslim could more than double, rising to 11.2% or more, depending on how much migration is allowed into Europe.“¹⁶ The emergence of no-go zones was an unpleasant accompanying phenomenon. Leicester, Bradford, Birmingham. A parallel court system, the Muslim Arbitration Tribunals was even created, which meant the creation of parallel society as well. The waves of migrants from different parts of world are one of the reasons for the creation of politically correct language. That undermines the very foundation of this civilization, which is freedom of speech.

The war in Ukraine brought a wave of refugees that Europe, especially central Europe, had not experienced. The number of refugees fluctuates about 420 thousand in the Czech Republic. More than two thirds are women, children, adolescents, and seniors. Looking at the situation without emotion, compassion, regret for wasted lives, from the point of view of the Grand Chessboard (Brzezinski, 1995) it is a great opportunity for the EU, the USA, and the Czech Republic without exception. This war gives us much-needed dynamics in life, activity, and awareness of values. This conflict shatters the dangerous vision of the world planned by engineers and bureaucrats (Calhoun, 1973).

The war in Ukraine, a sense of threat, is the best breeding ground for innovation, research, and development in the civilian and military sectors.

The armed clash outside our territory is an opportunity and a challenge for us. The post-war state makes it possible to lend a helping hand in the reconstruction of a war-torn country and to place our products, technologies there. To provide loans like the Americans did after World War II.¹⁷

Let's invest as much as possible in those coming from Ukraine if we are not able to finish the war. Let's make this horror of war an investment in a mutual relationship. The successful business plan.

Until the war in Ukraine, we considered Ukrainians only wage workers. Today, great professionals are already coming. The longer the war lasts, the bigger group will stay here. We will invest money and lose some of it. Unfortunately, people affected by the war count the dead and they lost everything they had been building all their lives. It is unimaginable, incomparable, but it is the reality. On one hand, Ukraine is being destroyed by war, and on the other hand, by demographic, if the refugees find a new permanent home here or somewhere abroad.

Let’s return to Africa. Not like the colonizers but as reparation payers. Reparations for colonization, especially countries with a colonial history. Let’s choose countries in Africa and establish European partner-countries for them. For example: France-Algeria, Italy-Libya, Germany etc. In the first phase, let’s build not one but hundreds basic and apprentice schools there according to the disposition of the particular African country. As the second step, universities and factories where the graduates find work opportunities. It could be a chance for the EU and Africa. We will help to educate their skilled workforce and their elite there, and if these people still want to go to Europe, they will have the appropriate work and cultural habits. From my perspective, it will be cheaper than today’s migratory system without the control and moreover, we would pay old injustice of former colonizers and it could be effective for both sides.

¹⁴ Based on: <https://cebr.com/service/macroeconomic-forecasting>

¹⁵ The Czech Republic is the most industrialized economy in the EU.

¹⁶ Based on: <https://www.pewresearch.org/fact-tank/2017/11/29/5-facts-about-the-muslim-population-in-europe/>

¹⁷ Based on: <https://www.bloomberg.com/opinion/articles/2022-06-10/ukraine-war-rebuilding-can-t-wait-for-peace-nor-putin-time-for-a-marshall-plan>

The innovation new products are brought by human. A talented person. Unfortunately, today there are voices, that resonate, especially in EU, that the cure for all the world's problems is voluntary childlessness.

Childlessness brings us no ideas, no innovations, no products, no competitiveness, no life.

Are we the culture of death? „Contraception, sterilization and abortion are certainly one of the reasons why there is such a large drop in the birth rate“ (John Paul II, 1995, Article 16).

5 Conclusion

Based on the survey, it is evident that the birth rate is decreasing in the European Union but also that our population is growing old. Therefore, it is necessary to educate and bring quality human resources from abroad. Ukrainian refugees and a large number of young African can be our shared opportunity.

We need an innovation of thinking not only innovation of products or commodity. It is not sufficient. We need new ideas, not only the administrators of an established political system. We need politicians who understand political geography, international trade, and relationship. We need politicians who understand humans and the world. Politicians, academics, and businessman (society elite) who do not solve consequences but causes. Otherwise, we do not have elite leadership but a system administrator or maintenance worker, and then it does not matter who stays in the leading position. We need courage to discover our own common sense, otherwise words like science, research, innovation can be just buzzwords that cost European taxpayers a lot of money.

Acknowledgement

This publication was created by the support of the project GAJU 121/2020/S „Principles of circular economics in regional management leading to increased efficiency of systems.”

References

- Alison, G. (2018). *Osudová past Spojené státy versus Čína a Thukýdídovo poučení z dějin*. Prostor
- Brzezinski, Z. (1999). *Velká šachovnice*. Mladá fronta.
- Calhoun, J. B. (1973). *Death squared: the explosive growth and demise of a mouse population*. DOI: 10.1177/00359157730661P202
- Gibbon, E. (1983). *Úpadek a pád římské říše*. Odeon.
- Jan Pavel II. (1995). *Evangelium Vitae*. Zvon.
- Johnson, P. (2008). *Dějiny 20. století*. Leda.
- Lomborg, B. (2008). *Zchlad'te hlavy*. Dokořán.
- Nye, J. (2004). *Soft Power: The means to success in world politics*. Public affairs.
- Thompson, W. R. (2009). The Kondratieff waves as global social processes. *World System History*, 174-195.
- Toynbee, A. (1948). *Christianity and Civilization*. Pendle Hill. <https://www.calculamus.org/lect/07pol-gosp/arch/dekalog-dawne/rozd-2004/notatki-etc/huntington/toynbee-cywil.html>
- Wallerstein, I. (2005). *Úpadek americké moci v chaotickém světě*. Sociologické nakladatelství.
- Vlach, J. (2022). The innovation and development potential selected economies In M. Jílek & E. Opatrná (Eds.), *Studentská vědecká odborná činnost 2022 (s.267-271)* Jihočeská univerzita,
- Xiaoping, W. (2017). *Ekonomická a politická transformace Číny: nové rozbor*. FILOSOFIA, nakladatelství Filozofického ústavu AV ČR.