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## **EUROPEAN INNOVATION POLICIES AT THE TIME OF GLOBAL INSTABILITY**

The current state and trends of the international economy as well as national economies are under the impact of global shocks and unstable global environment. Last few years was a time of the chain of global shocks. Pandemic shock of 2020–2022 with lockdowns and high budget spending affected contraction of business, downturn of travel and services, disruption of supply chains, GDP slowing or decline. Shock of Russian invasion to Ukraine in since 2022 caused the energy, food and financial crises, depressed demand and global economy slowdown. Most severe was energy shock with high prices along to reduction of Russian oil and gas supply in 2022–2023.

Global shocks have provoked secondary shocks such as: energy demand and supply shocks causing markets volatility, international debt burden, international inflation shock since 2022, central banks rates increase shock, international supply chains disruptions and others. Economic growth in the world slowing and differentiating, some countries have been facing with depression risk, Combination of shocks and their consequences have generated the international economy instability.

European economy instability has been affected by the global shocks, structural problems and international competition. As result the EU and few member countries remains at the low GDP rates and at the risk of depression.

Instability influence on the European economy in different ways – keeps uncertainty of business and demand, markets fragility, consumption and industrial production depression, instable confidence of consumers and business, limited investment motivation.

Instability influence on the differentiation and geo-economic fragmentation, requires policy measures for balanced economic and social development.

Instability and global competition requires to employ a resources and factors which enable systemic complex solutions for the dynamic economic growth and global competitiveness, sustainability and social progress. Innovation enhancements and spillover are the key for resolving current problems of the European economy. Innovation policy would be directed for constant adaptation to meet the challenges of the international and regional instability.

Europe's position on the global innovation landscape looks as mixture of leading position in certain areas and catching-up the overall gap. The EU spends a smaller percentage of annual GDP (2.3% in 2020) than the United States (3.45% in 2020) and Japan (3.26% in 2020) on research and development(R&D) [1].

Innovation regulation and innovation outcome both are complex issues covering educated manpower, creativity, inventions, access to resources, financing, inventions implementation. Therefore innovation policy should be complex, aiming on a set of targets, coordinated institutional framework, a package of instruments, timely schedule and verifiable outcomes.

European Union undertakes some complex innovation policies and programs aimed on the fostering innovations and their implementation, increase economic and social outcomes, narrowing the gap in such area between countries. One of such advancing policies is Innovation Union. It has been established in 2010 and aimed to improve conditions and access to finance for research and implementation of innovations into new products and services with impact on the growth, jobs and productivity. The Innovation Union aimed to create a single European market for innovation, attract innovative businesses. To achieve this, various measures were outlined in patent protection, standardization, procurement and regulation. Several instruments have been introduced to measure and monitor the innovation situation in the EU countries in order to improve regulations [1].

The systemic approach became a basis for European Innovation Scorecard is a complex indicator of innovation management systems in the EU and member countries. Based on scores system, EU countries have been designated into four performance groups: Innovation leaders, Strong innovators, Moderate innovators and Emerging innovators.

Innovation Leaders in the EU are mainly Northern European countries:

- Denmark, Sweden, Finland, the Netherlands and Belgium.
- Strong innovators are key economic players: Austria, Germany, Luxembourg.
- Ireland, Cyprus, and France which are, performing above the EU average.
- Moderate innovators: Estonia, Slovenia, Czechia, Italy, Spain, Malta, Portugal.
- Lithuania, Greece and Hungary.
- Emerging Innovators include mainly CEE countries: Croatia, Slovakia.
- Poland, Latvia, Bulgaria and Romania [2].

The differentiated countries are representing innovation gap causing by country-specific and international factors, including global instability. The EU innovation policies are aimed to the overall development the national innovation systems and narrowing the gap between countries. During the period of 2016–2023, innovation systems gap between the countries have narrowed, most strongly within the groups of Strong Innovators and Moderate Innovators. At the same time, the existing differences are larger then geographic concentration and economic divergences. Notably, the Innovation Leaders countries are concentrated in Northern and Western Europe, but Eastern Europe representing by Moderate and Emerging Innovators [2].

The EU countries innovation systems development helps to keep good international competitiveness position, but a need for its strengthening requires to design and apply advancing policy approaches aiming to support innovations and their practical implementation.

The New European Innovation Agenda, adopted in 2022, aims to position Europe at the new wave of deep tech innovation and start-ups. It will help Europe to develop new technologies to address the social challenges, and to bring them on the market [3].

The New European Innovation Agenda focuses on five flagships:

- *Funding Scale-Ups*:
- activate institutional and private investors in Europe to invest in the scaling of European deep-tech start-ups;
- facilitate innovation through improved conditions including experimental approaches to regulation (e.g. regulatory sandboxes, test beds, living labs and innovation procurement);
- support the creation of regional innovation valleys and help Member States and regions direct at least €10 billion to interregional innovation projects, including in deep-tech innovation for key EU priorities. It will

also support Member States to foster innovation in all regions through the integrated use of cohesion policy and Horizon Europe instruments [3].

- *Fostering, attracting and retaining talents:*

- support the development of deep tech talents in and to the EU through a series of initiatives including an innovation intern scheme for startups and scale-ups, an EU talent pool to help startups and innovative businesses find non-EU talent, a women entrepreneurship and leadership scheme and a pioneering work on startup employees' stock options [3].

- *Improving policy making tools:*

- development and use of comparable data sets and a shared definitions (startups, scale-up) that can inform policies at all levels across the EU and for policy coordination at the European level through the European Innovation Council Forum. the New European Innovation Agenda aims to accelerate the development and scaling up of innovation across the Union through a set of 25 actions [3].

Complex approach is a way of improvement of the countries innovation systems and enforce their input to socio-economic development and competitiveness. Such complex approach should be adapted for candidate and neighboring countries in order to facilitate further integration.

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