



Talent and Connectivity Driving Lithuania's GDP and FDI Growth

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Gediminas Varvuolis has been Lithuanian Ambassador to Japan since February 2018. He was previously Ambassador to Belgium, also accredited to Luxembourg. Before ambassadorship in Belgium, Ambassador Varvuolis was responsible for national and international security issues in Lithuanian Ministry of Foreign Affairs, was also posted to Lithuanian Embassy in France and Lithuanian Permanent Representation to NATO.



Growing Economy

Lithuania has come a long way from its first heady days as an independent state in 1990. 1st in the EU for GDP growth since 2000, and with GDP growth of 3.4% in 2018 and predicted growth of 2.8% in 2019, the country successfully weathered the aftershocks of the financial crisis of 2008 and has been increasing GDP year-on-year. Now in the top 14 nations in the 2018 Ease of Business rankings, Lithuania is justly taking its place as a regional hub for foreign direct investment.

Lithuania's consistent GDP growth, its supportive business environment, excellent connectivity to Western Europe, the CEE, the CIS and Scandinavia, deep talent pool with the highest level of tertiary education in the EU, and near 100% proficiency in English amongst young professionals, makes it a fertile ground for foreign companies wishing to expand their operations. In 2015, Lithuania introduced EURO. In 2018 Lithuania became a member of OECD, and this year we celebrate our 15th anniversary of EU and NATO membership.

From 2010 to 2018 alone, the Global Business Services (GBS) sector increased more than three-fold, from 25 to almost 80 centers. Capital Vilnius was chosen for expansion by Western Union, Nasdaq, some of Scandinavia's biggest banking names (SEB, Danske, DNB Nord), Moody's, Dana Incorporated, and second biggest city Kaunas by Centric, NKT, OAG and AL-KO Tech and many others. In total, GBS offices in Vilnius and Kaunas employ more than 17,000 professionals.

Connectivity

What has attracted so many big names to the small Baltic nation? For the answer to this question you first need to look to connectivity. Located at the heart of Europe, and as a convenient bridge between East and West, Lithuania is an ideal gateway nation. It can offer companies direct access to clients in the CEE, CIS and Western Europe. Moreover, with average flight times of 2-3 hours to most European destinations, and international airports in both Kaunas and Vilnius it is easily accessible for international business.

The country also ranks 1st in the CEE for its roads, and it offers direct rail links to Russia, Belarus, Latvia, Poland, Germany, Ukraine and Asia (incl. China). This rail connectivity, meanwhile, is set to expand following the opening of the Rail Baltica which will run from Berlin to Helsinki via Kaunas. Then there is the ice-free Sea Port of Klaipeda, which is the largest port in the Baltic States, handling up to 65 million tons of cargo each year.

But the connectivity the country has to offer is not limited to rail, road, air and sea. One of the global leaders in internet speed and 4G coverage (OpenSignal 2018), the country can provide a global digital reach that is fast, reliable and affordable: its fixed broadband prices are the lowest in the EU (European Commission Digital Agenda Scoreboard 2016). In fact, Lithuania ranked 1st in 2016 for globally fulfilling business needs for ICT (IMO World Competitiveness Yearbook 2016). This is partly why the GBS sector in particular has taken off.

STRATEGIC LOCATION

Lithuania – perfect center for distribution of Asian goods to Eastern and Western Europe, also to Scandinavian countries

PROGRESS IN INNOVATION

- ✓ 10% of global laser market
- ✓ 19% annual growth in life sciences
- ✓ 5x startups increase in 5 years
- ✓ 20% high-tech export growth in 2017



FDI in Lithuania

1. Talented Workforce

Overall, FDI is led by Nordic investment. In 2010-2018 FDI projects from the Nordics (Sweden, Norway, Denmark and Finland) accounted for 29% of the total number. Meanwhile, the US accounted for 14%, the UK for 10%, while Germany – for 8% of the total number of FDI projects. This weighting towards Scandinavian investment is, of course, precipitated by geographical proximity, but also by working culture and mindset. The local workforce is multilingual, competent in technological, ICT, engineering sciences, extremely adaptable and quick to fit the needs of any incoming company.

2. Fintech

Another reason the country has proven attractive is that its government and local institutions have been very proactive in enacting changes that improve the conditions for FDI. Lithuania's take on the emerging fintech industry is a prime example of this. The Bank of Lithuania has overhauled the country's financial regulatory framework so that it could guarantee the sector with the quickest turnaround in the EU for financial license application. The plan worked nicely, and Lithuania is now able to issue e-money and payments institution licenses 2-3

times faster than other European nations. And these licenses are valid in the broader EU market comprising 512 million people and 23 million businesses, making Lithuania the fastest gateway to Europe. As a result, Lithuania's fintech sector grew by astonishing 45% in 2018. The progressive and transparent regulation of Bank of Lithuania, Lithuania's emphasis on innovation, introduction of new Startup Visa program has drawn the eyes of many global fintech companies, notably Revolut, Google and Earthport.

3. R&D

Being a small nation with very limited natural resources, our greatest asset is innovation-thirsty people. Therefore, we focused our energies on creating the best conditions for R&D and tech growth. On the industrial innovation front, the country has a long tradition in cutting-edge photonics. Lithuania's Workshop of Photonics is working alongside Corning Incorporated – whose Gorilla Glass is found in 4.5 billion smartphones worldwide – on new laser glass technology. Meanwhile, in the Health Technology field, Lithuanian talent is delivering solutions for such global names as Thermofisher, Teva, Moog and Intersurgical. Information and internet solutions is also a growing field. The local startup community has attracted more than \$100 million in investment, and spawned such international successes as Trafti, Vinted, TransferGo,

CGTrader and Deeper. This attracted Uber, Wix and Nasdaq to come and set up their global operations in Lithuania.

4. Incentives for Manufacturing

And finally, no picture of the country's FDI sector would be complete without mention of the country's manufacturing sector, which is mainly focused in its regions. With corporate tax rates ranging from 0-15%, and 6 Free Economic Zones (FEZ) which offer a raft of financial incentives, Lithuania also offers a cost competitive solution for companies looking to expand or develop their manufacturing operations. The country's FEZ zones in particular are especially attractive: they offer 0% corporate tax for the first 10 years, and a 50% reduction for the subsequent 6 years, 0% tax on dividends and 0% tax on real estate. Major Japanese success story in Lithuania – Yazaki Group automotive component manufacturing project – is also situated in FEZ in Klaipeda.

5. Japanese FDIs in Lithuania

According to Statistics Lithuania, in 2016 there were 16 Japan-controlled companies in Lithuania, employing 1088 employees with a total turnover reaching EUR 112.36 million the same year. Lithuania welcomes Japanese FDIs in all sectors and is always ready to

cooperate either through Embassy in Tokyo and/or FDI promotion agency "Invest Lithuania".



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リトアニア大使館とJOIが覚書締結

2019年4月8日、リトアニア大使館はJOIと覚書を交わし、日本企業によるリトアニア向け直接投資促進を目的とした相互協力について合意しました。

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写真左からJOI中西理事長
バルブオリス駐日リトアニア大使

