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LSE European Institute - APCO Worldwide Perspectives on
Europe Series

Lithuania 2030

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Chair, LSE



LITHUANIA 2030: Cycling into the future

Prime Minister Andrius Kubilius
London School of Economics



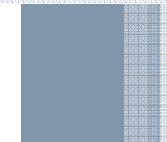
We are in a time of drastic change...



More Change than Continuity

- “The development of a globalized economy in which China and India play major roles has opened a **new era without clear outcomes.**”
- “Companies in China, India, and other major developing countries have unique opportunities to be the first to **develop a host of emerging technologies** and **not burdened by historical patterns of development.**”
- “The unprecedented transfer of wealth roughly **from West to East** now under way will continue for the foreseeable future.”

"Global Trends 2025: A Transformed World" report by the National Intelligence Council



We are in a time of drastic change...

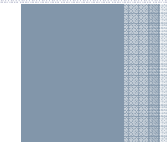


- “Conventional political analysis suffers from **profound failure of imagination.**”



- “At a certain level, when it comes to the future, the only thing one can be sure of is that **common sense will be wrong.**”

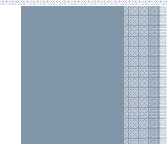
The Next 100 years: A forecast for the 21st century, George Friedman



... but economic crises repeat

- **around 1980:** Latin American debt crisis
- **around 1990:** “Black Monday”; Scandinavian banking crises in Sweden, Finland.
- **around 2000:** Asian financial crisis; Russian financial crisis; bursting of dot-com bubble.
- **around 2010:** Credit bubble and global financial crisis, European sovereign debt crisis.

... every decade? ... and become more global?
... what is next? ... global crises 2020? 2030?



Personal experience

Year 2000

Russian crisis

GDP drop by - 1.7 %
(1999)

A. Kubilius - Prime
Minister of Lithuania



Year 2010

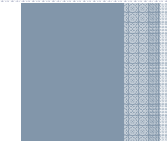
Global financial crisis

GDP drop by - 14,8 %
(2009)

A. Kubilius - Prime
Minister of Lithuania



What is next?...Prime Minister of Lithuania – 2020? 2030?



Consolidation of Europe



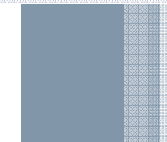
Europe becomes **stronger** and **more united** after every crisis

New **BIG IDEAS** after each crises

... from prevention of further war and the European Coal and Steel Community (1950)

...through the European Economic Community (1957) ...

...to European Union (1993) with Monetary Union (1999)
and Lisbon Treaty (2009)



Troubles with strategies?



Year 2000 – Lisbon strategy 2010:

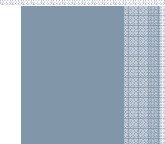
“To become the **most competitive** and dynamic knowledge-based **economy in the world by 2010**, capable of sustainable economic growth with more and better jobs and greater social cohesion”

Year 2010: eurozone crises in EU

Still no new **BIG IDEAS**

Year 2010: preparing another strategy “**Europe 2020**”

Year 2020: what kind of crises in Europe?



What is the Future of Europe?

- EU in **2025: a hobbled giant distracted by internal bickering and competing national agendas**, and less able to translate its economic clout into global influence.”

(“Global trends 2025: a Transformed World”, National Intelligence Council)

OR

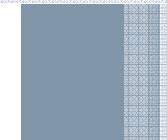
- Europe is beginning to surpass America. **“The European Dream: How Europe's Vision of the Future is Quietly Eclipsing the American Dream.”**

(Jeremy Rifkin, 2004)

OR

- **“The balance of power within Europe by 2040 will therefore shift to the east. <...> certainly Eastern Europe will surpass Western Europe in terms of dynamism.”**

(“The Next 100 years: A forecast for the 21st century”, George Friedman)



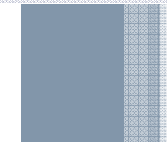
Lithuania 2030: which scenario?

Lithuania will depend on EU development, but ...we love to win

We don't want to take upon unrealistic scenarios, we must be one step ahead of time and step up the pace of our efforts to stay competitive and visible in globalizing world.

Lithuania – will surpass Western Europe in terms of dynamism.

We need a strategy for 2030, not for 2020



Lithuania: small nation with glorious past...

By 14th century Lithuania was
the largest country in Europe

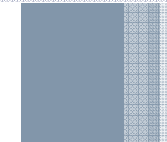
Multicultural phenomenon
throughout 500 years

Place of origin of 15 Nobel
prize winners

Ability to “Think Big”



...with a big ambition for future



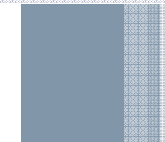
Lithuania 2030: moving to a new location?

The
Economist

“...Estonia, Latvia and Lithuania. These three countries should move to a new location somewhere near Ireland.

....they have bitten the bullet of “internal devaluation”, regaining competitiveness by cutting wages and prices, rather than taking the easy option of depreciating the currency, or borrowing recklessly as Greece has”

The Economist, 29th April 2010

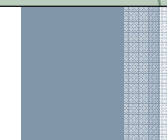


Geopolitical geography – 2030:



- EU – consolidated and more federal
- EU-US – free trade agreement:
Innovative North vs. *Manufacturing South*
- Baltic-Nordic – Baltics catching up with Nordics

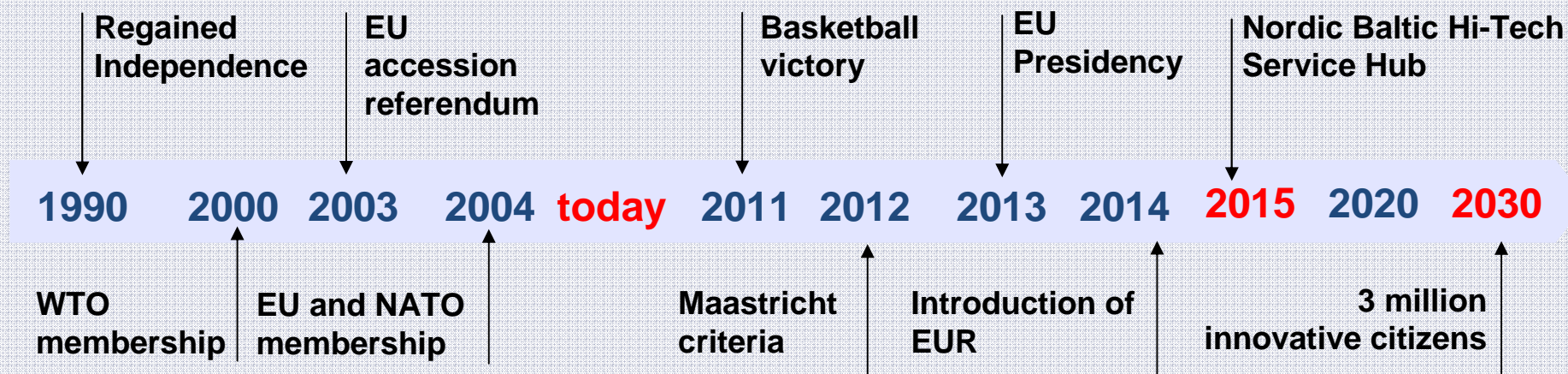
- Russia - lasting post imperial syndrome
vs. modernized European Russia
- Belarus, Ukraine, Moldova, Caucasus –
permanent gravitation to Europe



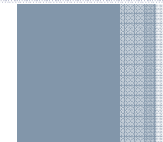
The growth story and ambition for future



Key milestones



The calendar of dynamism



Lithuania – 2030: mentality of dynamism

Next 20 years - dynamic global change:

Dynamism of the people is a prerequisite.

Dynamism of technologies is a destiny.

Lithuania – 2030: Council for National strategy (2010).

Lithuania -2030: challenge of values and challenge to the leadership

- **Dynamism** – not to be afraid of change and of global competition
- **Ability to learn** the variety of the world - language skills, e-skills, mobility
- **Creativity** and effective **execution**



2030: people, not technologies decide

Education, Education, Education

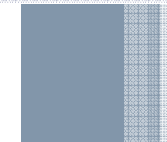
Common values, ambitious vision, political will

“Lithuanian magic formula”

4E and 1P *(by Jack Welsh, CEO GE)*

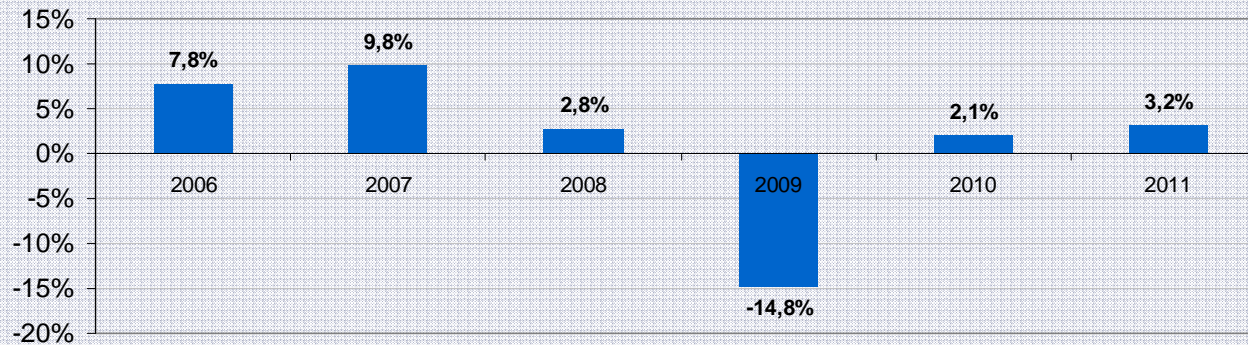
- **Energy**
- **Energize**
- **Edge - Yes/No**
- **Execution**

- **Passion**



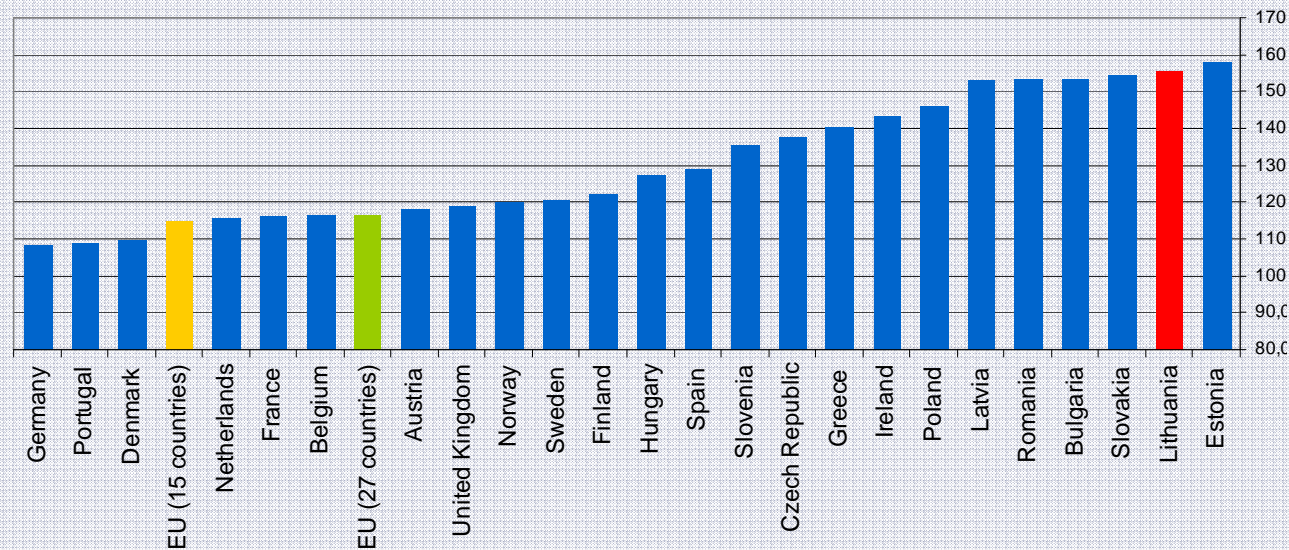
Lithuania 2010: difficult, but dynamic start

- Lithuanian economy is now recovering swiftly and

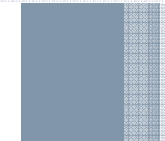


Source: IMF forecast, May 2010

- continues to be one of the fastest growing in the EU over last 10 years (GDP 2000-2009)

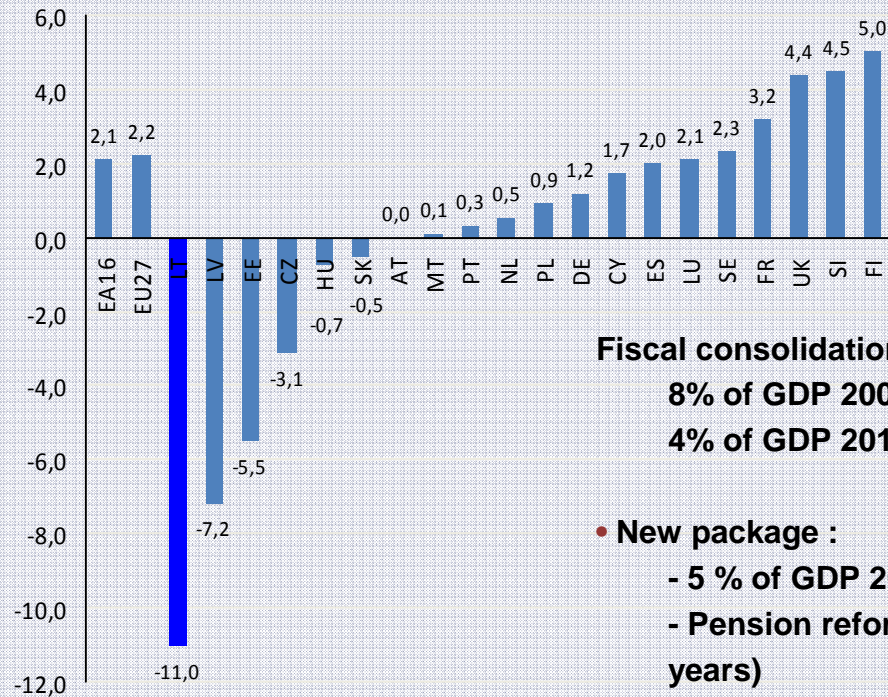


Source: Eurostat



International credentials

Total nominal hourly labour costs (% change compared with same quarter of previous year), Q1 2010



Fiscal consolidation:
8% of GDP 2009
4% of GDP 2010

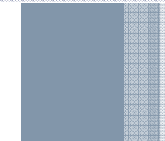
- **New package :**
 - 5 % of GDP 2011 – 2012
 - Pension reform (2026 – 65 years)
 - Labour code reform

The Economist

"The East European economies, for all their faults, have shown more flexibility in both labor markets and in what they produce than have many older EU members."

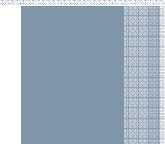
Forbes

"In the years ahead [Lithuania's] recovery should outpace that of most members of the EU because Lithuania is n't wedded to slow-growth policies, as are most Western European states."



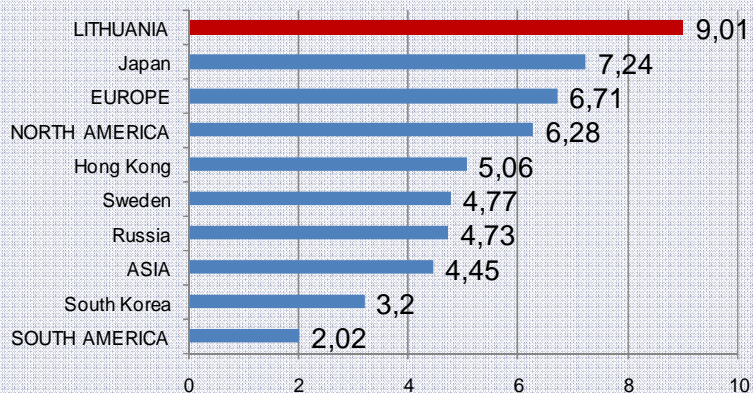
Towards Northern Europe Service Hub 2015-2030

- **30%** of population with higher education
- **50%** speak two foreign languages
- **49** higher education institutions
- **40%** of talent in science and technology
- **92%** operations done via e-banking
- **88%** declaring their income tax online
- **2000** transportation routes to 40 countries
- **World-leading** in mobile e-signature
- **Highest** fiber optic density in Europe
- **World's fastest** upload Internet in 2009
- **Exemplary** GSM penetration
- **Densest** network of public Internet access points in Europe



Dynamism: global leadership in ICT infrastructure

- World's fastest upload Internet (2009)

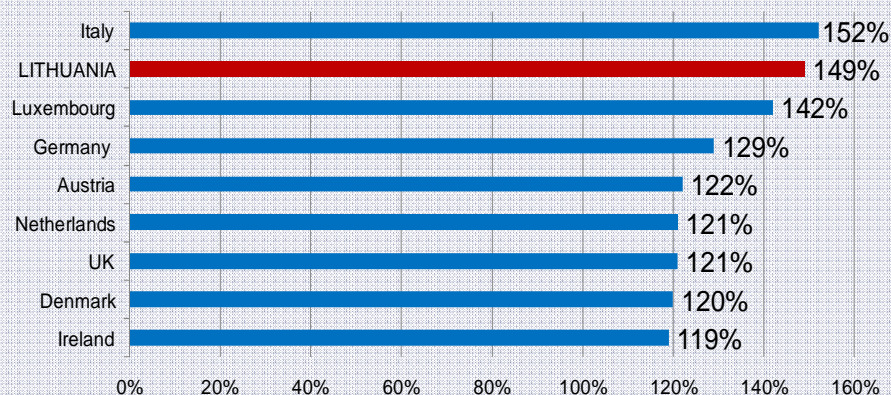


- World's 4th best-quality Internet (2009)

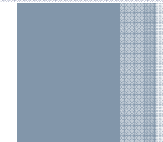
World's Internet TOP 5

1. South Korea
2. Japan
3. Sweden
- 4. Lithuania**
5. Bulgaria

- Global leadership in mobile telephone subscribers per 100 population and Europe's 2nd greatest mobile penetration



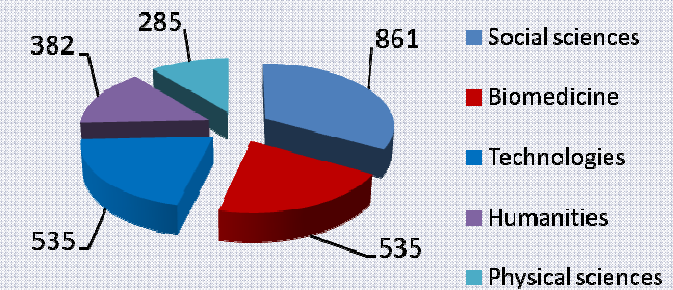
Sources: www.speedtest.net; Study by University of Oxford (England) and University of Oviedo (Spain), 2009; European Commission



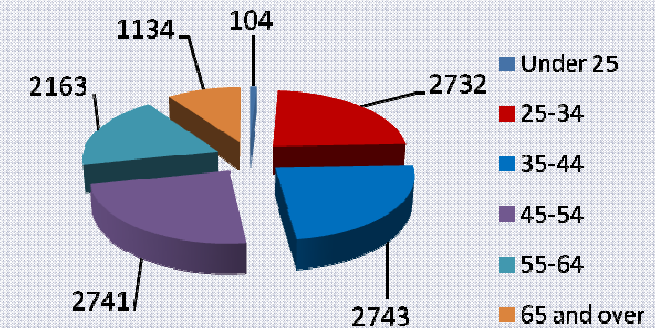
Ability to learn: dynamic and highly skilled talent pool

- 22 universities and 27 colleges
- 40% of the 25 - 34 year olds have higher education
- 30% of overall population with higher education, compared to the EU average (24%)
- 7 universities and 8 colleges hold IT curriculums
- 24% of employed have ICT user skills (No.3 in EU)
- Young and growing population of researchers with over 50% below the age of 45
- Strong doctorate focus on Social, Biomedicine and Technology sciences

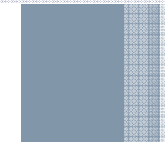
Doctoral students



Researchers by age (2008)

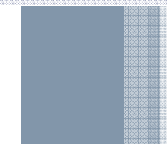


Source: European innovation Scoreboard 2008



Radical start of cycling into the future

- **Major reforms in high education and R&D 2009:** market based competitive funding of studies, autonomy of universities and the power of choice by students; business and government cooperation
- **Development of knowledge infrastructure (2009-2010):** huge investment of EU funds (10 %) into 2 most advanced high-tech clusters around Vilnius and Kaunas universities: “Sunrise Valley” (Vilnius) and “Santaka Valley” (Kaunas);
- **Creation of modern financial and legal framework for innovative economy (2009-2012):** seed money, risk capital, business angels, intellectual property rights, etc
- **“Hunting” FDI in high-tech industries**



track record this year... 35 FDI projects and 5300 new jobs in 2009

Agents of change and of global dynamism in Lithuania



"We chose LITHUANIA because of the high quality of education here, which has resulted in the development of world-class IT professionals, many of whom are multilingual, and because of the quality of Lithuania's technology and connectivity. We will show the world the talent that exists in Lithuania."



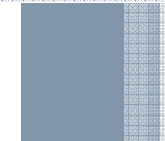
"Lithuania (Vilnius) was selected as an attractive location because of its strong talent pool of highly-skilled, well educated and multilingual professionals, its stable political and improving economic climate and world-class infrastructure as well as the Government's policy in attracting foreign direct investments."



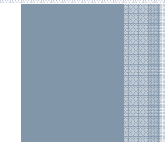
"With Fermentas, we are better-positioned to meet the demands of molecular and cell biologists for complete workflows that can accelerate their research and improve results."



"The joint research centre with a global high-tech giant undoubtedly marks a huge achievement for Lithuania. It is turning into a country creating innovations for the entire world."



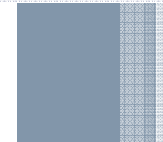
Vision: Lithuania - 2030



Thank you



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