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Knowledge based entrepreneurship

Why?

Seagull project workshop

Klaipeda, Kaunas

September 2003

Europe 1945-1975

- Average GDP growth 4.6%
- Low inflation – 2%
- Low unemployment – 4%
- GDP per capita – from 40% to 70% of U.S. level
- How?

Catching up

- Catching up (competing) through investment, mass production and technology imitation
- Major technology trajectory
- Incremental innovation through
 - Exploiting advances of 19th century fundamental science breakthroughs (e.g. chemical or pharmaceutical companies building new and better molecules on the basis of inorganic chemistry)
 - Codification of available knowledge and organizational routines

Europe 1975-1985

- Slow growth - less than 2%
- High inflation - 11%,
- High unemployment - more than 10%
- GDP per capita at the same 70% U.S. level
- What happened?

What happened?

- Oil shocks
- Available knowledge largely codified and available to competitors in NIC
- New technological trajectory (ICT, biosciences, etc;) and consumption shifts (customization)
- Globalization
- Europe at technological frontier: competition through creation of new knowledge

Lithuania 1990-2004

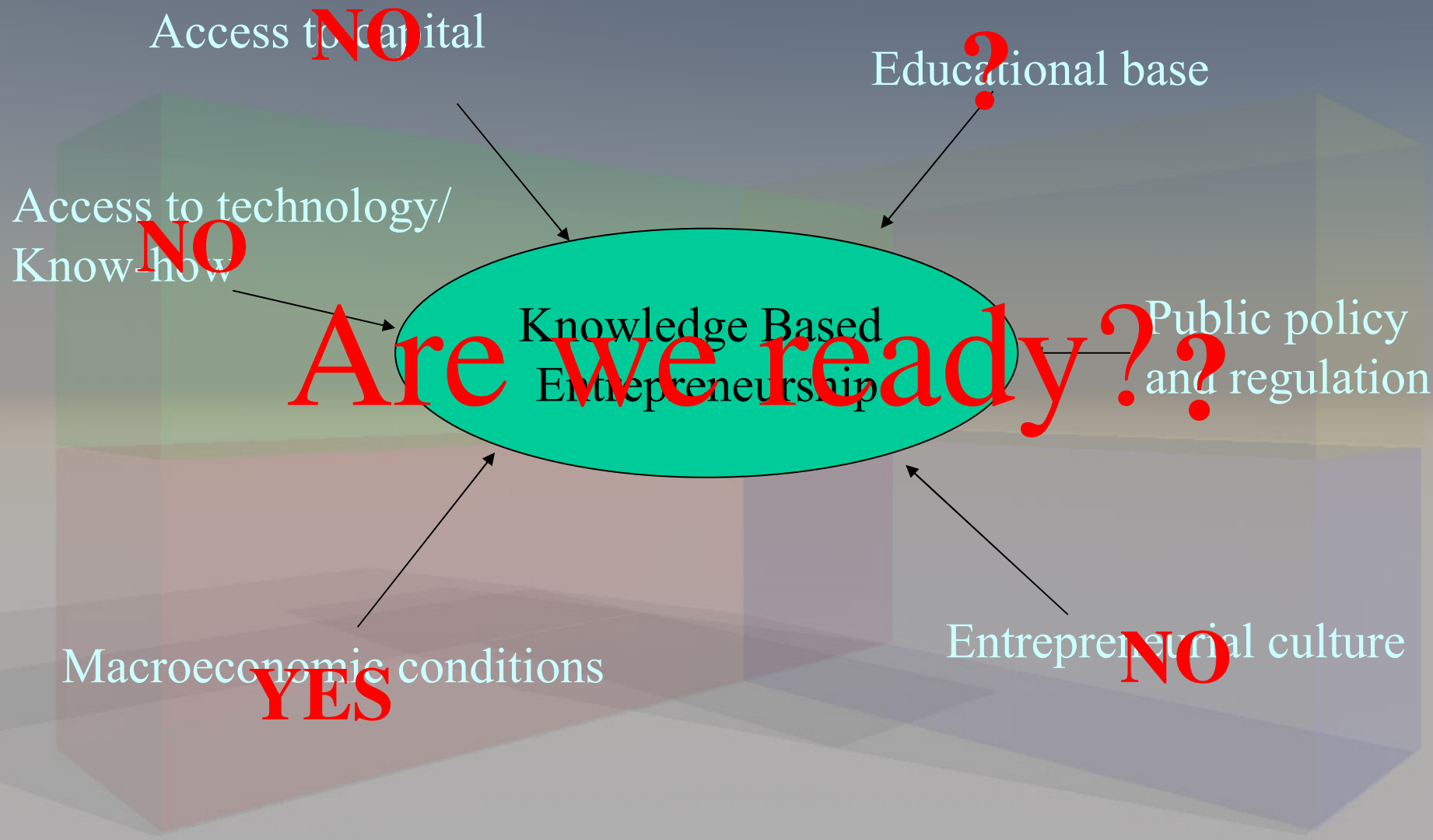
- 1990-1995 competition through exploitation of old system inefficiencies.
 - Involved in trade. Natural resources from NIS, finished goods from the West. Very little investment in production.
- 1995-1999 competition through technology transfer oriented towards eastern markets. Lower demand for quality and investment.
 - Typical company: production of finished or semifinished goods. Sales oriented to domestic or NIS markets. Investment in used (secondhand) equipment. (e.g. construction, food, textiles)
- 1999- 2003 competition through technology transfer oriented towards EU. High demands for quality and investment
 - Typical company: production of finished or semifinished goods on subcontracting or outsourced base. Investment in modern new equipment, production of high quality labor intensive products based on the designs of subcontractors. (e.g. textiles, furniture), adoption of modern management practices and technologies: e.g. ISOxxxx, CRM

Is it sustainable?

- Yes. In the short term through:
 - Increasing investment
 - Upgrading of existing technology base
 - Imitation of advanced technologies and management practices
 - Utilization of the lower labor force costs

Is it sustainable?

- No. In the long run:
 - Rising living standards and labor costs
 - Single market and mobility opportunities
 - Globalization pressures
 - Approach to technological frontier
- Will make Lithuania to start competing on the production of new knowledge.



Some bright spots

- Political awareness and will is increasing, structures are being built
 - Trajectory of development: increasing investment in knowledge
 - We still got room to manoeuvre and time (although both are contracting)
 - We are quite good at adapting
- ☺ We are still behind Estonia in knowledge investment☺

Something to think about

- European glory years ended with two major oil shocks.
- Lithuanian development transformations also coincided with two major shocks: banking crisis of 95-96 and Russian crisis of 1998.
- We have another major shock coming: entry to the Single market in May 2004