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**Ключові слова:** митні податки, митні збори, митні органи, надходження, державний бюджет, СОТ.

**Ключевые слова:** таможенные налоги, таможенные сборы, таможенные органы, поступления, государственный бюджет, ВТО.

**Keywords:** customs duties, customs fees, customs authorities, revenues, the state budget, the WTO.

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## IMPACT OF FOREIGN DIRECT INVESTMENTS ON LITHUANIA'S ECONOMY: REGIONAL DIMENSION

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### **Пякарскене І. Вплив прямих іноземних інвестицій на економіку Литви: регіональний аспект.**

Іноземні інвестиції особливо важливі для країн, економіка яких менш розвинена. Так як вони можуть стати важливим чинником у їх економічному розвитку. Іноземні інвестиції в Литві є одним з основних показників економічної інтеграції в глобальні ринки, а також безпеки Литви та гарантії стабільності. Ось чому для того, щоб сприяти подальшому зростанню прямих іноземних інвестицій, необхідно створити найбільш сприятливі умови для існуючих інвесторів і стимулювати нові інвестиції шляхом створення привабливого інвестиційного клімату. Обсяг прямих іноземних інвестицій в різних країнах по-різному впливає на економічний і соціальний розвиток. Крім цього, їх порівняльна частка різна в окремі галузі економіки чи галузей промисловості. У статті аналізуються теоретичні аспекти впливу прямих іноземних інвестицій на економіку приймаючої країни, розподіл тенденції ПІІ в регіонах Литви і оцінюється вплив цих тенденцій на економічний розвиток окремих регіонів.

### **Пякарскене ІІ. Влияние прямых иностранных инвестиций на экономику Литвы: региональный аспект.**

Иностранные инвестиции особенно важны для стран, экономика которых менее развита. Так как они могут стать важным фактором в их экономическом развитии. Иностранные инвестиции в Литве являются одним из основных показателей экономической интеграции в глобальные рынки, а также безопасности Литвы и гарантии стабильности. Вот почему для того, чтобы способствовать дальнейшему росту прямых иностранных инвестиций, необходимо создать наиболее благоприятные условия для существующих инвесторов и стимулировать новые инвестиции путем создания привлекательного инвестиционного климата. Объем прямых иностранных инвестиций в разных странах по-разному влияет на экономическое и социальное развитие. Кроме этого, их сравнительная доля различна в отдельные отрасли экономики или отрасли промышленности. В статье анализируются теоретические аспекты влияния прямых иностранных инвестиций на экономику принимающей страны, распределение тенденции ПИИ в регионах Литвы и оценивается влияние этих тенденций на экономическое развитие отдельных регионов.

### **Peckarskiene I. Impact of Foreign Direct Investments on Lithuania's Economy: Regional Dimension.**

Foreign investment is particularly important for countries whose economies are less developed or transitional, as they may become an important factor in their economic development. Foreign investments in Lithuania are one of the fundamental economic integration into the global market indicators as well as Lithuania's security and stability guarantee. That's why in order to encourage further foreign direct investment (FDI) growth, it is necessary to create the most favourable conditions for existing investors and encourage new investment by creating an attractive investment climate. Foreign direct investment in different countries have different impacts on the economic and social development. Beside this, their comparative share is different in separate branch of economy or industrial sectors. In this article it is analyzed theoretical aspects of foreign direct investment influence on the host country's economy, FDI distribution trends in regions of Lithuania and evaluation of these trends impact on economical development of separate regional's.

**Introduction.** In recent decades, both in Lithuania and all over the world movement of capital in various forms is becoming increasingly important. Today it is becoming clear that the most important condition for the state to prosper is high activity of investment. Unfortunately, not all countries are sufficient with internal investment sources and this is the reason why foreign investments become very important factor for country's economic growth. Beside this, foreign

investment attraction becomes one of the most important tasks for national governments. That's why there is increasing competition among countries which are seeking to get attention from foreign investors and attract more investment into the country.

In conditions of modern globalization and financial integration international capital is exported and imported increasingly in the form of foreign investment. Increase of financial integration has a positive impact on international capital mobility and its employment efficiency as well as on host countries' economical growth (Schularick, Streger, 2010). Foreign direct investment is an important source for capital attraction, market and competition stimulation, new jobs creation, economic growth as well as to pick up new ideas and knowledge.

Foreign direct investment (FDI) is becoming the subject of scientific debate increasingly and they are analyzed in various ways. One of FDI scientific research side - factors affecting FDI flows. Other scientific research side - FDI influence on host countries economy. Most scholars in their research works emphasize the positive impact of FDI on host countries economy. (Filippov and Costa, 2007, Ayanwale, 2005, Eswar, etc., 2007, Tvaronavičienė, 2007, Laskiene, 2011, Serbu, 2006, etc.). These authors in their work determined a positive impact on country's economy, labour productivity, employment, technological progress and so on.

Without positive impact of FDI, some scholars also emphasize the risks that arise for the host country which accepts foreign investment (Haddad and Harrison, 1993, Zilinske, 2010). Most frequently mentioned risks - not only economical, but also country's politician's dependence on foreign investors, increasing market concentration (often foreign-owned companies are established in a high concentration markets), the domestic producers' displacement from the market, etc.

Usually FDI impact is studied by whole countries or even region (group of countries) example. Meanwhile, there is a lack of studies of FDI impact on countries regional dimension. This is the reason, why it is appropriate to perform such an investigation, because different regions in Lithuania create different interest for foreign investors and beside this regions have different economical development.

The main purpose - to evaluate the impact of FDI for economic development in different regions. Tasks: to base theoretically the positive impact of FDI on regional development; to analyse the trends of FDI in different regions of Lithuania; to estimate dependence of indicators which reflect FDI and economical expansion of regions. Research methods - a comparative analysis and synthesis of scientific literature, statistical data analysis, correlation analysis.

**Theoretical insights of FDI impact on regional development.** Thanks to FDI, the capital is involved in projects which couldn't be financed by local capital. This process is used to adapt technologies, to develop regional or national economy. In developing countries FDI is one of the ways to develop economy in unattractive projects by diversifying industrial base and by reducing country's dependence from one to few economy sectors. However, as a rule, foreign investors are more interested in businesses that are more profitable or have specific advantages against other business units in the country or in some certain regions. This drives to conclusion that they supply only certain markets. The global economic integration provides benefits like minimization of production costs, avoidance of trade tariffs and reduction of transportation costs.

A positive attitude towards FDI impact on the economic development of the country largely refers to J. H. Dunning (1993) theory. According to the scholar, FDI can be considered as a factor of economic development because they increase productivity, promote scientific and technological innovations and so on. Foreign Direct Investment promotes work efficiency and opens possibilities for new technologies and new forms of activities. It also can be proposed that FDI is one of the country's economic renovation factors as it allows opportunities to implement modern technologies, new management and progressive ideas. According to A. Cibinskiene and R. Kontautiene (2010), foreign direct investment (FDI) - it's not just financial resources, new technologies, access to markets, but also higher value of industry and its functions. Since middle of 1990 FDI has been particularly important for the growth of the economy and the transition to a market economy in most of the countries with transition economies (World Investment Directory, Volume VIII: Central and Eastern Europe 2003).

According to Kalotay (2001), Hunya (2000) FDI in transition economies not only increased the country's financial resources and investments in technology development, but also contributed to the restructuring progress of industry, accelerated the transition to a market economy, contributed to the strengthening of the private sector and market economies by eliminating macroeconomic distortions which were inherited from the previous planned system.

In opinion of Afsar (2007), by using a number of empirical studies, which have investigated the relationship between foreign direct investment and gross domestic product growth, it is distinguished two growth theories: the medium-term and long-term. The first theory suggests that foreign direct investment determines the medium-term gross domestic product growth in the countries where it is invested by increasing investments and their efficiency. The second theory is that recent studies have focused on the fact that foreign direct investment promotes sustainable economic growth through the technological process promotion. Therefore, it can be said that FDI have positive impact on host countries' economy growth which is indicated by GDP growth. Another very important object, which has a positive impact on country's economy is that through FDI there is a creation of new jobs and is encouraged the reduction of unemployment rate (Goldberg, 2007; Serbu, 2007).

Talking about positive effect of foreign direct investment on national economic development, it should be noted that FDI leads to increased tax revenue to the state or municipal budget correspondingly reducing the tax burden for local businesses and residents. It also should be mentioned that FDI is an important factor for export development in host country, because multinational companies have very good (developed) network of business contacts in many countries. So by using them there are big possibilities for the local business units to increase the volume of export.

According to Stiglitz (2000), FDI into the country brings not only finance resources, but also technology, access to markets, and valuable training as well as investment in human capital. However, it should be kept in mind that FDI is not constant, it is often short-term flows that can come into the country and without any pressure leave.

Most countries of the world keeps FDI as an important source for capital, job creation, boosting exports and new knowledge (both managerial and technological) installation, together, as a source of economic growth. Foreign companies investments often create circumstances for local producers to enter into new foreign markets through international distribution networks of investors. FDI also supplements the Treasury from tax revenues and from increasing economic activity, improves country's international payment and trade balance.

Summarizing it can be said that attracting foreign direct investment is a major national and regional economic growth factor. In some sectors of the economy or in industry sector, FDI can promote economic growth and development, complement and stimulate local business activity and performance, but in others, under certain circumstances, it can also discomfit. So in order to reduce inter-regional disparities each state must regulate foreign investments so, that they should be directed to the regions that need investments most.

**FDI distribution trends and impact evaluation in regional dimension.** The impact of FDI on different regions of Lithuania's economic situation will involve the following steps. First, it will be analysed FDI distribution trends in different regions of Lithuania. After this, using some certain economic indicators will be discussed economic situation in the different regions. In the third stage, using correlation - regression analysis will be estimated FDI impact on regional economic development.

Why Lithuania is attractive to foreign investors? Lithuanian manufacturers distinguish for flexibility - they are perfectly capable to produce high-quality products, to deliver the goods within a short period of time. Lithuania from other Baltic states differs with its export-oriented economy in almost all sectors. Such sectors are the most attractive for foreign partners. We can mention fields such as textile, chemicals, pharmaceuticals, computers, optics and other fields of production. In recent years, a leap was made by paper, metal manufacturers. Companies that export most of their produce know how to work with export markets. Over the past decade, Lithuania's main competitors in attracting FDI has been and remains a central and eastern European countries (Czech Republic, Poland, Hungary, Slovakia, Slovenia, Latvia, Estonia).

By pub. enterprise "Investuok Lietuvoje" data in 2012 foreign companies who declared their decision to invest in Lithuania are planning to implement 21 % more FDI projects in the 2011's. According to this indicator, Lithuania is the fifth in the world, in Europe - the third, and the absolute leader among the Baltic countries. In 2011 FDI flows in Lithuania amounted to 3 billion LTL (2,8 % of GDP), compared with 2010 it increased by 1.1 billion LTL, or 54 %. FDI investment flow in 2011 amounts to 65 % of 2008 flow volume. In recent years, FDI in Lithuania increased mostly because of the increased reinvestment flow. It should be also noted that foreign investors are one of the largest taxpayers in Lithuania: in 2011 out of the 50 largest taxpayers, 27 companies were foreign capital. According to „Investuok Lietuvoje“ data, the taxes they paid accounted more than two-thirds, or 68 % of the 50 largest taxpayers paid taxes, and 43 % of the 500 largest tax payers paid taxes (Verslo žinios, 2013).

Even in Lithuania it is attracted a lot of foreign investment, but territorial distribution of investment is one of the most important problems of economic development. Vilnius region is an absolute leader in attracting FDI - during analyzed period Vilnius County had an average of 62 % of total FDI coming to Lithuania. Between the first and second place it is noticed a huge gap - the district of Kaunas attracted average of only 11.5 % of total FDI coming to Lithuania.

The third place of attracting FDI goes to Klaipeda's district- an average of 10 %. During the period of 2000 - 2011, FDI flows in Lithuania increased by 307.5 %. Even the highest annual growth rate of FDI was in the district of Telsiai (317.1 %), however FDI in this region takes only the fourth place. During analyzed period, the average annual FDI growth rate in Lithuania was 15 %. Similar trends of FDI changes were in Kaunas, Vilnius and Siauliai regions.

Another very important indicator - foreign direct investment per capita. During analyzed period the average FDI per capita in Lithuania was 7492.6 LTL. Meanwhile, this rate was higher in Vilnius (1797.08 LTL) and in Telsiai (1565.2 LTL) regions.

The economic situation in Lithuanian's regions is also different. Some indicators were selected to evaluate economic situation: Gross domestic product (GDP), GDP per capita, productivity, unemployment rate and average wage. The majority of GDP is created in Vilnius district (approximately 37 %.), second district followed by creation of GDP is Kaunas district (19.2 %), and the third place goes to Klaipeda district (12 %). Lowest part of GDP is created in Taurage district (2 %). Until 2008 GDP in Lithuania was growing and the highest level was in 2008. In 2010 GDP started to grow but hasn't reached pre-crisis level yet. Meanwhile, in Kaunas, Klaipeda, Marijampole and Vilnius districts in 2011 GDP was higher than in 2008. In different regions of Lithuania the population is different, so much more accurate information about economy growth gives GDP per capita indicator. Figure 1 reflects this indicator changes in Lithuania and in country's separate regions. In all regions, the GDP per capita variation trends are quite similar - this indicator till 2008 was steadily increasing. In 2009 because of the influence of global economic crisis this figure declined. Since 2010 recovery is taking place, and in 2011 most of the districts reached pre-crisis level except in Alytus, Utena and Vilnius districts. Throughout the analysed period GDP per capita in Klaipeda and Vilnius districts exceeds the average of Lithuanian GDP per capita level.

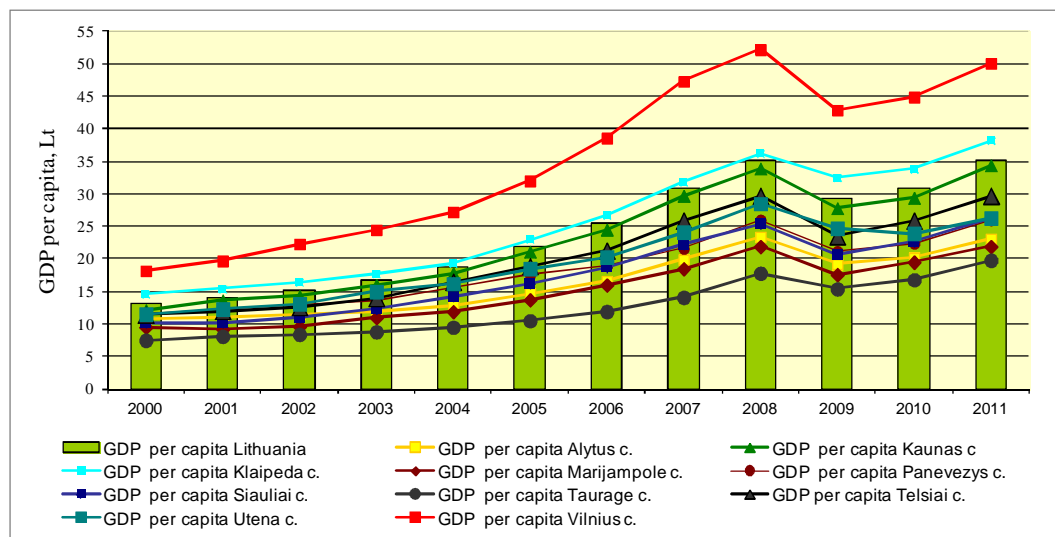


Fig. 1. Lithuanian's GDP per capita and by districts, LTL thousand

During analyzed period (2000 - 2010) the average monthly earnings in Lithuania was 1500 LTL. Only in Vilnius region this indicator was above the average level of Lithuania - here the average wage was 1726 LTL. The lowest wage level was in Taurage county (1146 LTL).

Productivity in Lithuanian and sub-regional level was calculated as GDP per person employed. The average productivity in Lithuania during analyzed period was 54.46 thousand LTL. Higher average productivity was in Vilnius (74.32 thousand LTL) and Klaipeda (57.44 thousand LTL) regions. The lowest productivity of 29.89 thousand LTL was in Taurage region.

During 2000 - 2011 the average unemployment rate in Lithuania was 11,9 %. The lowest unemployment rate was in 2007 - 4,3 %, the highest unemployment rate was in 2010 - 17,8 %. Higher than the national average of unemployment rate was in Alytus (13 %), Siauliai (13,3 %), Panevezys (13 %), Telsiai (12,8 %) and Utena (12,5 %) regions.

In next part there was made a correlation - regression analysis. Correlation and determination coefficients were calculated. Their reliability has been checked by the Student and Fisher's criterion. The correlation coefficient ( $r$ ) shows the relationship strength between analyzed indicators. The determination coefficient ( $R$ ) indicates how the selected index changes may be affected by FDI. In Lithuanian extent it was estimated a very strong dependence between FDI flows and GDP ( $r = 0.9654$ ), GDP per capita ( $r = 0.9711$ ), average monthly earnings ( $r = 0.9838$ ) and productivity ( $r = 0.9584$ ). Even FDI and unemployment correlation coefficient is significant but it indicates that between FDI and the unemployment rate there is a very weak inverse dependence ( $r = 0.3573$ ). According to the determination coefficient, it can be stated that the greatest influence of FDI changes can make to GDP per capita (94 %).

While analyzing these dependencies in separate regional level, it should be noted that a very strong dependence between FDI and GDP was found in Kaunas ( $r = 0.9216$ ), Klaipeda ( $r = 0.9869$ ), Siauliai ( $r = 0.9437$ ) and Vilnius ( $r = 0.9852$ ) regions. Strong dependence was estimated in Alytus ( $r = 0.7555$ ), Marijampole ( $r = 0.6663$ ), Taurage ( $r = 0.8643$ ), and Utena ( $r = 0.6014$ ) regions. Medium dependence was found in Panevezys region ( $r = 0.4697$ ). In all regions it was estimated very strong and powerful dependence between FDI and GDP per capita.

For the average monthly earnings FDI has the highest impact in Klaipeda ( $r = 0.9776$ ), Kaunas ( $r = 0.9165$ ), Siauliai ( $r = 0.9656$ ) and Vilnius ( $r = 0.9786$ ) regions. Meanwhile in Panevezys region ( $r = 0.4215$ ) this dependence is weak. The strongest relationship between FDI and productivity were determined in Kaunas ( $r = 0.9536$ ), Klaipeda ( $r = 0.9895$ ), Siauliai ( $r = 0.966$ ) and Vilnius ( $r = 0.9947$ ) regions. Not all calculated correlation coefficients between FDI and unemployment rate were meaningful. From the table data it can be seen, that between FDI and the level of unemployment there was a weak inverse dependence in Alytus ( $r = 0.5457$ ), Kaunas ( $r = 0.4968$ ), Panevezys ( $r = 0.5326$ ) and Vilnius ( $r = 0.4674$ ) regions.

FDI plays a key role in the regional development process and effective use of the investment should not only reduce inter-regional disparities, but also provide the potential for expansion. That's why the government of Lithuanian should take measures which would attract more foreign investment to less popular areas.

### Conclusions.

1. A positive effect of FDI is related to advanced technologies and new management ideas dissemination, capital formation, job creation, staff training, productivity increase, economic development, etc.

2. FDI in Lithuania is distributed very raggedly - more than half of FDI goes to Vilnius region. The second, third and fourth place respectively occupy Kaunas, Klaipeda and Telsiai regions. In other regions, FDI is insignificant. Vilnius region distinguishes with the largest economic development - the largest share of GDP, the highest average monthly earnings, productivity and the lowest unemployment rate is created there. Territorial distribution of investment is one of the most important problems for economic development.

3. In refer to Lithuanian data empirical study was performed and theoretical statements about the impact of FDI on economic growth have been proved. It was estimated very strong and strong dependence /relationship between FDI and GDP and GDP per capita in all regions. For the average monthly earnings the greatest impact FDI has in Klaipeda and Vilnius regions. The strongest relationship between FDI and productivity were determined in Kaunas, Klaipeda, Siauliai and Vilnius regions. FDI influences least the level of unemployment in Lithuania as well as in different regions. FDI plays an important role in the regional development process and expedient attraction of them would encourage regional economic development.

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**Ключові слова:** прями іноземні інвестиції, економічний розвиток, екоміка регіонів, валовий внутрішній продукт, продуктивність, аналіз кореляції і регресії

**Ключевые слова:** прямые иностранные инвестиции, экономическое развитие, экоміка регионов, валовой внутренний продукт, производительность, анализ корреляции и регрессии.

**Keywords:** Foreign direct investment, economic development, regions economics, gross domestic product, productivity, correlation - regression analysis.