U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

Lithuania is strategically situated at the crossroads of Europe and Eurasia. It offers investors a diversified economy, EU rules and norms, a well-educated multilingual workforce, advanced IT infrastructure, low inflation, and a stable democratic government. The Lithuanian economy is one of the fastest growing in the EU (3.3 percent GDP growth in 2013). The country is on track to join the Eurozone in 2015 and is beginning preparations to apply to join the OECD. Lithuania's income levels still lag behind the rest of the EU, with per capita GDP (at purchasing power parity) of approximately 70 percent of the EU average. According to preliminary data from the Lithuanian Statistics Department, at the end of 2013 the United States was Lithuania's 17th largest investor, with investments totaling 172.8 million USD (1 percent of total FDI in Lithuania).

The new Lithuanian government which came to power at the end of 2012 stated it would focus on attracting investment by reducing barriers, partnering with the private sector, and offering financial incentives. In 2013, the government passed legislation which streamlines land-use planning, saving investors both time and money. Invest Lithuania is the government's principal institution dedicated to attracting foreign investment. In addition to its offices in Vilnius and major Lithuanian cities, Invest Lithuania has representative offices in Belgium, Kazakhstan, and the United States (Chicago).

The government provides equal treatment to foreign and domestic investors, and sets few limitations on their activities. Foreign investors have the right to repatriate or reinvest profits without restriction, and can bring disputes to the International Center for the Settlement of Investment Disputes (ICSID). Lithuania offers special incentives such as tax concessions to both small companies and strategic investors. Incentives are also available in seven Special Economic Zones located throughout the country

The business community in Lithuania is advocating for greater flexibility in the labor code including access to foreign labor. U.S. executives report burdensome procedures to obtain business and residence permits, as well as some instances of low-level corruption in government. Transportation barriers, especially insufficient air links with European cities, remain an impediment to investment, as does the lack of transparent, readily available information on tax collections and government procurement. Energy costs in Lithuania are currently among the highest in the EU, but are projected to at least stabilize and possibly decline as the country implements diversification projects.

1. Openness to Foreign Investment

Lithuania's laws assure equal protection for both foreign and domestic investors. No special permit is required from government authorities to invest foreign capital in Lithuania. Foreign investors have free access to all sectors of the economy with some limited exceptions:

- The Law on Investment prohibits investment of foreign capital in sectors designated as sensitive to the security and defense of the State.
- The Law on Investment also requires government permission and licensing for commercial activities that may pose risks to human life, health, or the environment, including the manufacturing of, or trade in, weapons.
- Non-Lithuanians will be able to buy agricultural or forest land from May 1, 2014. As part of Lithuania's EU accession agreement, the Seimas (Parliament) approved on April 24, 2014 new regulations allowing foreigners to purchase agricultural land. It remains to be seen what the impact of the new regulations will be. On June 29, 2014, there will be a referendum prohibiting the sale of agricultural land to foreigners, though most observers expect the referendum to fail.

The Law on Investment specifically permits the following forms of investment in Lithuania:

- establishment of an enterprise or acquisition of a part or whole of the authorized capital of an operating enterprise registered in Lithuania;
- acquisition of securities of any type;
- creation, acquisition, and increase in the value of long-term assets;
- lending of funds or other assets to business entities in which the investor owns a stake, allowing control or considerable influence over the company;
- performance of concession or leasing agreements.

Table 1 – Lithuania's Economic Rankings

Measure	**Year**	**Rank**	**Score**
Transparency International Corruption Perceptions Index	2013	(43 of 177)	57 of 100
Heritage Foundation's Economic Freedom Index	2014	(21 of 178)	
World Bank's Doing Business Report "Ease of Doing Business"	2013	(17 of 189)	
Global Innovation Index	2013	(40 of 142)	

2. Conversion and Transfer Policies

Foreign entities are allowed to establish branches or representative offices. There are no limits on foreign ownership or control. Foreign investors can contribute capital in the form of money, assets, or intellectual or industrial property.

Foreign investors have the right to repatriate profits, income, or dividends, in cash or otherwise, or to reinvest the income without any limitation, after paying taxes. The law establishes no limits on foreign ownership or control.

Lithuania has announced plans to officially adopt the Euro on January 1, 2015. Currently the national currency is the Litas. The Law on Foreign Currency also allows individuals and organizations to use the euro for domestic cash and non-cash payments and settlements; it allows individuals and organizations to use other foreign currency for making non-cash payments and settlements when both parties in the transaction agree to do so. There are no restrictions on the transfer or conversion of litas.

Lithuania has maintained a currency board since 1994. On February 1, 2002, the government pegged the Litas (LTL) to the Euro (EUR) at the rate of LTL 3.4528 to EUR 1. Prior to that date, the peg was LTL 4 to USD 1. The government backs the Litas with gold and foreign currency reserves. Lithuania entered the EU's exchange rate mechanism (ERM II) in June 2004.

3. Expropriation and Compensation

State institutions have no right to interfere with the legal possession of foreign investors' property. There have been no cases of expropriation of private property by the Lithuanian government since 1991. There is an ongoing process to restitute property expropriated in the World War II and Soviet periods. In the event of justified expropriation, investors are entitled to compensation equivalent to the market value of the property expropriated. The law obligates state institutions and officials to keep commercial secrets confidential and requires compensation for any loss or damage caused by illegal disclosure.

Lithuanian law permits expropriation on the basis of public need, but requires compensation at fair market value in a convertible currency. The law requires payment of compensation within three months of the date of expropriation in the currency the foreign investor requests. (If the government determines compensation in litas, it uses the official exchange rate on the date of this determination.) The compensation must include interest (calculated on the basis of the LIBOR rate of the relevant currency) from the date of publication of the notice of expropriation until the payment of compensation. The recipient may transfer this compensation abroad without any restrictions.

4. Dispute Settlement

There have been no major disputes between foreign investors and the government since independence in 1991. The Lithuanian legal system stems from the legal traditions of Continental Europe and is in accordance with the EU's acquis communautaire. New laws enter into force upon promulgation by the President [or in some cases the Chairman of the Parliament (Seimas) and publication in the official gazette Valstybes Zinios ("State News")].

Several possibilities exist for commercial dispute resolution. Parties can settle disputes in local courts or in the increasingly popular independent, i.e., non-governmental, Commercial Court of Arbitration. Lithuania also recognizes arbitration judgments by foreign courts. Domestic courts generally operate independently of government influence. Lithuania's EU membership has given foreign firms the additional right to appeal adverse court rulings to the European Court of Justice.

The Lithuanian court system consists of general jurisdiction courts, dealing with civil and criminal matters, and includes the Supreme Court, the Court of Appeals, district courts, and local courts. In 1999, Lithuania established a system of administrative courts to adjudicate administrative cases, which generally involve disputes between government regulatory agencies and individuals or organizations. The administrative court system consists of the Highest Administrative Court and District Administrative Courts.

The Constitutional Court of Lithuania is a separate, independent judicial body that determines whether laws and legal acts adopted by the Seimas, President, and the Government conform to the Constitution.

Lithuania passed the current Enterprise Bankruptcy Law in 2001. This law applies to all enterprises, public establishments, commercial banks, and other credit institutions registered in Lithuania. The law provides a mechanism to override the provisions of other laws regulating enterprise activities, assuring protection of creditors' rights, recovery of debts, and payment of taxes and other mandatory contributions to the State. This law establishes the following hierarchy of creditors' claims: claims by creditors that are secured by a mortgage/pledge of debtor; claims related to employment; tax, social insurance, and state medical insurance claims; claims arising from loans guaranteed or issued on behalf of the Republic of Lithuania or its Government; and other claims.

Lithuania is a member of both the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (UNCITRAL).

5. Performance Requirements and Incentives

The Lithuanian government taxes corporate income, personal income, and capital gains at 15 percent. The value-added tax is 21 percent and the annual real estate tax ranges from 0.3 to three percent depending on the market value of a property. For more details, please visit http://www.investlithuania.com/en/doing-business/taxes.

Lithuania provides special incentives to strategic investors. The criteria by which the government or a municipality designates a strategic investor vary from project to project. In general, the national government requires that a strategic investor invest USD 50 million or more. Municipalities may tie the designation criteria to additional factors, such as the number of jobs created or environmental benefits. Strategic investors' benefits include special business conditions, such as favorable tax incentives for up to ten years. Municipalities may grant special incentives to induce investments in municipal infrastructure, manufacturing, and services.

Lithuania has seven Special Economic Zones (SEZs). These are located near the cities of Kaunas, Klaipeda, Siauliai, Kedainiai, Panevezys, Akmene, and Marijampole. To date the Kaunas and Klaipeda zones have been most successful in attracting businesses: there are 17 businesses operating in the Klaipeda SEZ and 16 in the Kaunas SEZ. Companies operating in the SEZs have the same accounting and identification responsibilities as those operating outside the zones.

Companies operating within SEZs enjoy:

- six years' exemption from corporate income tax and a 50 percent reduction during the following 10 years, if the company invests more than 1.2 million USD;
- exemption from real estate tax;
- no tax on dividends for foreign investors.

Foreign investors have the same rights as local firms to participate in government-financed and -subsidized research and development programs. There are no local content requirements for public procurement. Lithuania's "Law on Public Procurement," which came into effect on March 1, 2003, is in accordance with the EU's acquis communautaire.

Government Resolution No. 918 of July 15, 2003 requires offset agreements as a condition for awarding contracts to procure military equipment valued at more than USD 2 million. Offsets are obligations the government imposes that require companies to provide services, create jobs, or purchase local goods in exchange for awarding a contract. Bidders can negotiate the exact terms of the offset agreement with the government.

Municipalities may ask investors to develop roadways or other infrastructure adjoining their project, but such proposals are subject to negotiation. Lithuania's EU membership has given foreign firms the additional right to appeal adverse governmental rulings to the European Court of Justice.

Some foreign investors, including U.S. citizens, report difficulties in obtaining and renewing residency permits. The Embassy recommends that those applying for residency permits, who intend to reside in Lithuania with dependents, investigate the ability of their dependents to obtain derivative residency permits. The Embassy is aware of cases where American citizens were asked to leave Lithuania solely because their application for a residence permit was not processed within the 90 days for which they were initially admitted.

U.S. citizens can stay in Lithuania no more than 90 days without a visa (and no more than 90 days in any six-month period). Those who stay longer face fines and deportation. In principle, Lithuanian embassies and consulates abroad are able to assist by reviewing documentation required for a permit, however, foreigners may actually submit residency permit applications only after they arrive in Lithuania. By law the Migration Department is allowed six months to issue residence permits to U.S. citizens, but in recent years they have done so in less than three months on average. This timing does not include processing for work permits or other documentation, which must be started before applying for a residence permit. Documentary requirements are extensive and change frequently. In addition, dependents of those who hold residency permits for less than two years are barred from receiving a residency permit, unless the permit holder earns more than three times the monthly average, works as a teacher at a post-secondary educational institution, participates on an officially recognized exchange program, or invests in Lithuania.

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish, acquire, and dispose of interests in business enterprises. Lithuanian laws protect rights and legal interests of both domestic and foreign investors. Lithuania has privatized most state-run enterprises. Where state-owned companies and private companies compete for public or private contracts, they do so on legally equal terms.

7. Protection of Property Rights

Lithuanian law protects foreign investments and the rights of investors in several ways:

- The Constitution and the Law on Foreign Capital Investment protect all forms of private property against nationalization or requisition.
- The Law on Capital Investment in Lithuania and other acts regulate customs duties, taxes, and relationships with financial and inspection authorities. This law also establishes the procedures of dispute settlements.
- State institutions and officials are obligated to keep commercial secrets confidential and must pay compensation for any loss or damage caused by illegal disclosure. Lithuania legalized the possibility of hiring private bailiffs to enforce court judgments in 2003.
- In the event of justified expropriation, applicable law entitles investors to compensation equivalent to the fair market value of the expropriated property.
- Bilateral agreements with the United States and other western countries on the mutual protection and encouragement of investments reinforce these protections.
- International agreements offer protections, such as the 1958 New York Convention on the recognition and enforcement of foreign arbitral awards.
- Foreign investors may defend their rights under the Washington Convention of 1965 by applying to either Lithuanian courts or directly to the International Center for the Settlement of Investment Disputes. To date, Lithuania has not been involved in any major investment disputes with American or other foreign investors.

Lithuania's commercial laws conform to EU requirements, and include the principles of the free establishment of companies, protection of shareholders' and creditors' rights, free access to information, and registration procedures. Relevant laws include: the "Company Law" and "Law on Partnerships" (2004), the "Law on Personal Enterprises" (2004), the "Law on Investments" (1999), the "Law on Bankruptcy of Enterprises" (2001), and the "Law on Restructuring of Enterprises" (2001).

The Civil Code of 2000 governs commercial guarantees and security instruments. It provides for the following types of guarantee and security instruments to secure fulfillment of contractual obligations: forfeiture, surety, guarantee, earnest money, pledge, and mortgage.

Intellectual Property Rights (IPR)
Lithuanian IPR legal structures are strong, enforcement is good, and infringements and theft are not common. In recent years, Lithuania has significantly improved IPR protection. In 2008 it was removed from the Special 301 Watch List. Lithuania joined the World Intellectual Property Organization (WIPO) in 2002 and the World Trade Organization (WTO) in 2001. Lithuania, as a member of the EU, has ratified WIPO's Internet treaties (Copyright Treaty and the Performances and Phonograms Treaty) as listed below. It is also a signatory to the following IPR-related treaties and conventions:

- The Paris Convention for the Protection of Industrial Property in 1990 (effective May 22, 1994);

- The Berne Convention for the Protection of Literary and Artistic Works of 1886 (effective December 14, 1994);
- The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 1961 (effective July 22, 1999);
- The Nice Agreement Concerning International Classification of Goods and Services of 1957 (effective February 22, 1997);
- The Madrid Protocol of 1989 (effective November 15, 1997);
- The Patent Cooperation Treaty of 1970 under the auspices of WIPO (effective July 5, 1994);
- The Conventions on the Grant of European Patents (December 1 2004);
- The WIPO Copyright Treaty of 1996 (effective March 6, 2002);
- The WIPO Performances and Phonograms Treaty of 1996 (effective May 20, 2002); and
- The Trademark Law Treaty of 1994 (effective April 27, 1998).

Lithuania enacted regulations in 2002 to protect confidential product test data that pharmaceutical firms submit for patent and trademark registration. Following EU accession, Lithuania extended protection to member states' trademarks, designs, and applications. Lithuania brought its national law protecting biological inventions into compliance with EU Directive 98/44 in June 2005. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Justin P. Brown BrownJP3@state.gov or Jonas Vasilevicius, VasileviciusJ@state.gov

Local lawyers list: http://vilnius.usembassy.gov/attorneys.html

8. Transparency of Regulatory System

The World Bank's "Doing Business" survey, which evaluates according to ten criteria the ease of doing business in 189 economies, gave generally high marks to Lithuania, ranking it 17th of 189 countries in 2014. Lithuania scored especially high in the categories of "registering property" (sixth) and "enforcing contracts" (17th). It did less well in the categories of "getting electricity" (75th) and "protecting investors" (68th).

Red tape remains a challenge for some investors. Local business leaders report that bureaucratic procedures often are not user-friendly and that the interpretation of regulations is too often inconsistent and unclear. Businesses and private individuals complain of low-level corruption, including in the process of awarding government contracts and the granting of licenses and permits. Transparency International has ranked Lithuania 43rd of 177 countries in terms of perceived corruption.

Businesses also note that they have little opportunity to influence new legislation and that new legislation sometimes appears with little advance notice. The government is using technology to improve transparency; for example, the parliament's website posts all draft legislation, and public tenders must be published electronically in a central database. Ministries also post many, but not all, draft laws under consideration.

In March 2014, Transparency International released a report which recommended adopting laws aimed at protecting whistle-blowers, preventing and controlling conflicts of interest, increasing transparency for political party funding and lobbying, and improving monitoring of public procurements at the implementation stage.

9. Efficient Capital Markets and Portfolio Investment

Government policies do not interfere with the free flow of financial resources or allocation of credit. In 1994, Lithuania accepted the requirements of Article VIII of the Articles of Agreement of the International Monetary Fund to liberalize all current payments and to establish non-discriminatory currency agreements. Lithuania ensures free movement of capital and does not plan to impose any restrictions. The government imposes no restrictions on credits related to commercial transactions or the provision of services, nor on financial loans and credits. There are no restrictions on non-residents opening accounts with commercial banks.

The banking system is stable, well-regulated, and conforms to EU standards. Currently there are 7 commercial banks holding a license from the Bank of Lithuania, 12 foreign bank branches, two foreign banks representative offices, the Central Credit Union of Lithuania and 73 other credit unions. 255 EU banks provide cross-border services in Lithuania without a branch operating in the country; three financial institutions controlled by EU-licensed foreign banks provide services without a branch. Nearly all foreign banks are under Scandinavian control. The Supervisory service at the Bank of Lithuania supervises commercial banks and credit unions, securities market, and insurance companies. At the end of 2013 the total assets of major Lithuanian banks were:

- SEB – USD 9.35 billion
- Swedbank – USD 7.69 billion
- DnB – USD 4.76 billion

The Vilnius Stock Exchange is part of the OMX group of exchanges and offers access to 80 percent of all securities trading in the Nordic and Baltic marketplace. OMX is owned by both the U.S. firm NASDAQ and the Dubai Bourse. Lithuanian law does not regulate hostile takeovers. There is no restriction on portfolio investment. The right of ownership to shares acquired through automatically matched trades is transferred on the third working day following the conclusion of the transaction.

10. Competition from State-Owned Enterprises (SOEs)

Foreign investors are treated equitably in privatization programs. The government has privatized most state enterprises and property; the State Property Fund is responsible for managing and privatizing state assets. The State Property Fund screens the performance record and size of companies bidding on state or municipal property and has halted privatizations when it determined that the bidders were not suitable, i.e., for criminal or other reasons. Major assets still under government control include the railway company (Lietuvos Gelezinkeliai), Lithuania's three international airports (Vilnius, Kaunas, and Klaipeda) and the Lithuanian postal service (Lietuvos Pastas). Foreign investors have purchased the majority of state assets privatized since 1990. These include companies in the banking, transportation, and energy sectors. Some foreign companies have expressed concerns, as recently as 2008, about a lack of transparency or discrimination in certain privatization transactions.

According to Lithuanian law, SOEs have no privileges in conducting business, competing for supply, and/or in implementing projects, enforcing contracts, and accessing finance. The Embassy has no records of formal complaints from either foreign or domestic companies regarding cases of state companies receiving advantage in competing for business. Nevertheless, anecdotal evidence cited in a 2013 Baltic Institute for Corporate Governance (BICG) report suggests there have been cases of SOE executives extracting benefits for their own personal gain by way of guided tenders, exercising favoritism when selecting providers of goods or services, or giving business to friends and family members.

The BICG report also concludes that Lithuanian SOE practices fall short of meeting OECD Corporate Governance standards. Lithuanian SOEs fail to comply with six out of ten norms for the hiring, firing and oversight of top management, and only partly satisfy the other four criteria. However, there has been significant progress in recent years to bring corporate governance practices closer to international norms. For example, the introduction of independent board members has helped to professionalize and depoliticize SOE boards, and to strengthen independent and pragmatic decision making, including in the areas of CEO selection and evaluation. The requirement for SOE CEOs to certify financial statements is also in line with international best practices.

SOEs are active in the energy, postal services, transport, communications, and forestry sectors. Senior managers of SOEs report to independent boards of directors, which report to appropriate ministries. By law SOEs are required to publish an annual report and to submit their books to an independent audit.

11. Corporate Social Responsibility

Although Lithuania's high private sector contribution to GDP is evidence of a strong private sector, the concept of Corporate Social Responsibility (CSR) is not broadly practiced in Lithuania, especially in rural areas where there is little or no foreign investment. The understanding of the concept is frequently linked to philanthropy, rather than social partnership. The private sector is generally more interested in pursuing its own business affairs and creating profits for its shareholders than broadening its role to encompass social issues.

There are, however, an increasing number private-public partnerships, as well as social projects, where the private sector is involved in supporting volunteerism, environmental restoration, and scholarships. Furthermore, successful participation in the European Union market requires high standards of CSR. Foreign investors in Lithuania have played an important role in promoting CSR. In 2001, Lithuania became an adherent to the OECD Guidelines for Multinational Enterprises, a global CSR instrument that includes a government's obligation to promote CSR within its business community, primarily through a National Contact Point. In 2009, the government developed and approved a National Corporate Social Responsibility Development Program aimed at promoting CSR. In recent years there has been a growing interest from both government and NGOs alike to promote CSR values by organizing competitions and awards ceremonies such as the Social and Labor Ministry's annual Socially Responsible Business Awards Ceremony, Confederation of Industrialists' Awards, and others.

12. Political Violence

Since its independence in 1991, Lithuania has not witnessed any incidents involving politically motivated damage to projects and/or installations.

13. Corruption

More than 50 governmental institutions regulate commerce in one way or another, creating numerous opportunities for corrupt practices. Large foreign investors report few problems with corruption. On the contrary, most large investors report that high-level officials are often very helpful in solving problems fairly. In general, foreign investors say that corruption is not a significant obstacle to doing business in Lithuania and describe most of the bureaucrats they deal with in Lithuania as reasonable and fair. Small and medium enterprises (SMEs) perceive themselves as more vulnerable to petty bureaucrats and commonly complain that excessive red tape virtually requires the payment of "grease money" to obtain permits promptly. Business owners maintain that some government officials, on the other hand, view SMEs as likely tax-cheats and smugglers, and treat the owners and managers accordingly.

Paying or accepting a bribe is a criminal act. Lithuania established in 1997 the Special Investigation Service (Specialiuju Tyrimu Tarnyba) specifically to fight public sector corruption. The agency investigates approximately 100 cases of alleged corruption every year, but has yet to bring charges against high-level officials for corrupt practices. Lithuania ratified the UN Convention Against Corruption in December 2006. Lithuania also hosts a representative office of Transparency International (TI). TI ranked Lithuania 43rd out of 177 in its 2013 Perceptions of Corruption Index with a score of 57 (TI considers countries with a score below 50 to have serious problems with corruption.) Police, medical personnel and local government, among others, were cited by TI as prone to corruption. Lithuania has not signed the OECD Anti-Bribery Convention.

According to an EU report on corruption released in February 2014, Lithuania has demonstrated a commitment to prevent and combat corruption through an extensive legal framework. In this report, the European Commission recommends that Lithuania prioritize the prosecution of larger cases and develop prevention tools to detect corruption in procurement on the local government level and in the healthcare sector. The EC also recommends that Lithuania develop a strategy against informal payments in healthcare, and improve the control of declarations of conflicts of interest made by elected and appointed officials. The transparency of political party financing is another area identified for improvement.

Lithuania is highlighted as a positive example of good practices in the implementation of e-procurement as it has made significant progress in providing online access to centralized data on public procurement. Since 2009, at least 50 percent of the total value of public bids must be conducted electronically. As a result, the share of e-procurement rose from 7.7 % to 63 % in 2010, approaching the target of 70 % by 2013. The range of information published exceeds the requirements of EU law including draft technical specifications, concluded and performed public contracts, and suppliers' subcontractors.

At the same time, a 2013 Eurobarometer survey on corruption showed that Lithuania lags behind other EU countries in the scores concerning both perceptions and actual experience of corruption. Among the survey results: 95 percent of the Lithuanian respondents believe corruption is widespread in Lithuania; 29 percent indicated they had been asked or expected to pay a bribe in the past 12 months; and 25 percent have experienced or witnessed corruption in Lithuania.

Resources to report corruption:

Special Investigation Service
Jakšto g. 6, 01105 Vilnius, Lithuania
Tel: 370-5266333
Fax: 370-70663307
Email: pranesk@stt.lt

Contact at "watchdog" organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption, such as Transparency International)

Sergejus Muravjovas, Executive Director
Transparency International
Didžioji st. 5, LT–01128, Vilnius, Lithuania
Tel: 370 5 212 69 51
info@transparency.lt |
skype: ti_lithuania

14. Bilateral Investment Agreements

Lithuania joined the European Union on May 1, 2004. In doing so it joined all EU trade agreements with third countries and international organizations. Lithuania also delegated its international trade policy function to the EU Council and the European Commission. As a result, Lithuania had to revoke all of its bilateral free trade agreements signed before its accession to the EU. The United States and Lithuania have signed and ratified the following agreements and treaties:

- A bilateral investment treaty (BIT) that ensures non-discrimination, access to justice, free movement of capital, and other reciprocal investment protections (2001)
- Tax Convention on the avoidance of double taxation (2000)
- Treaty on legal assistance in criminal matters (2005)
- Extradition treaty (2005)
- Agreement on social security (2003)
- Agreement on cooperation in preventing proliferation of weapons of mass destruction and promotion of defense and military relations (2009).

15. OPIC and Other Investment Insurance Programs

Political risk coverage from the Overseas Private Investment Corporation (OPIC) is available for U.S. investments in Lithuania. Lithuania is also a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA). Lithuania's fully convertible currency, the Litas, is pegged to the euro and its exchange rate against the U.S. dollar fluctuates on a daily basis. In

2013, the average exchange rate was 1 USD = 2.524 litas. Lithuania plans to adopt the euro in 2015.

16. Labor

Lithuanian labor is relatively inexpensive compared to Western Europe. However, employment regulations are often stricter than those in other EU countries according to some foreign investors. By law, white-collar workers have a 40-hour workweek. Blue-collar workers have a 48-hour workweek with premium pay for overtime. There are minimum legal health and safety standards for the workplace. However, worker complaints indicate that employers do not always observe these standards. Lithuania is a member of International Labor Organization (ILO) and adheres to its conventions.

The government adjusts the monthly minimum wage periodically. From January 1, 2013 Lithuania's minimum monthly wage was 1,000 litas (384 USD). The average monthly wage was approximately 927 USD in the third quarter of 2013. The average salary increased by approximately 1.5 percent in 2013 compared to 2012.

The ability of Lithuanians to work legally in EU countries generated in the past a sizable outflow of labor, causing a shortage of skilled construction workers, truck drivers, shop assistants, medical nurses, and medical specialists. Currently, unemployment – though slowly falling – remains high. Lithuania's registered unemployment at the end of 2013 was 11.4 percent.

Lithuania's management: employee relations are good. Labor unions are not considered influential in Lithuania, according to some foreign investors. There have been no major strikes or labor disruptions since the country's independence in 1991.

Some business leaders claim the Labor Law lacks flexibility and increases the cost of production by making it harder to hire and fire labor. This is a particular complaint of businesses that experience seasonal fluctuations in labor needs.

Lithuania has one of the best-educated workforces in Central and Eastern Europe. The percentage of the Lithuanian population with higher education is two times higher than the EU-15 average and is also the highest in the Baltic States. Lithuania is one of the five EU members with the highest percentage of people speaking at least one foreign language. Ninety percent of Lithuanians can speak at least one other language – mostly Russian, English and Polish – apart from their mother tongue.

Major Lithuanian companies specializing in IT, biotechnology, laser technology, etc., cooperate closely with the leading Lithuanian technological universities, which provide the companies with R&D services and offer students specialized on-the-job training programs. In this way companies are able to attract a large number of qualified specialists for both local and international projects. Some technology companies have noted challenges in finding highly skilled workers with advanced technical degrees.

17. Foreign-Trade Zones/Free Ports

Lithuania does not have foreign-trade zones which offer duty free privileges. However, Lithuania does have seven Special Economic Zones (SEZs) located near the cities of Kaunas, Klaipeda, Siauliai, Kedainiai, Panevezys, Akmene, and Marijampole. To date the Kaunas and Klaipeda zones have been most successful in attracting businesses: there are 17 businesses operating in the Klaipeda SEZ and 16 in the Kaunas SEZ. Companies operating in the SEZs have the same accounting and identification responsibilities as those operating outside the zones, but enjoy these special benefits:

- six years' exemption from corporate income tax and a 50 percent reduction during the following 10 years, if the company invests more than 1.2 million USD;
- exemption from real estate tax;
- no tax on dividends for foreign investors.

18. Foreign Direct Investment Statistics

The United States is the seventeenth largest investor in Lithuania. At the end of 2013, American investments reached USD 172.8 million, accounting for approximately one percent of total FDI in Lithuania. There are about 130 U.S. companies doing business in Lithuania, and about 500 U.S. companies have representatives in the country. The largest U.S. investors include Thermo Fisher, Moog, IBM, Philip Morris, Mondelez, Mars Incorporated, Paulius and Associates, and Kinze.

The largest investors in Lithuania include (estimated figures by the firms themselves):

Orlen (Poland) – - oil refining – 1.4 billion USD;
Teo Lt (Sweden/Finland) – telecommunications – 643 million USD;
Thermo Fisher (U.S.A.) – 290 million USD;
Moog Inc. (U.S.A.) – 200 million USD;
Indorama (Thailand)-– plastics – 145 million USD;
Philip Morris (U.S.A.) – tobacco products – 130 million USD;
Mondelez International (formerly Kraft) (U.S.A.) – confectionary – 60 million USD;
Mars Inc. (U.S.A.) – pet food – 40 million USD;
Stora Enso (Finland/Sweden) – wood products – 36 million USD;
DSV (Denmark) – shipping – 30 million USD;
Paroc (Finland) – construction material –- 20 million USD.

Table 2: Key Macroeconomic data, U.S. FDI in Lithuania

	Lithuanian Statistical source*		USG or international Source		
	Year	Amount	Year	Amount	
Lithuania Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	(2012)	42,332.49	(2012)	42,340	World Bank

U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	(2012)	169.41	(2012)	Not reported	(BEA)
Lithuania FDI in the United States (*Millions U.S. Dollars, stock positions)*	(2012)	Not reported	(2012)	0	(BEA)
Total inbound stock of FDI as % of Lithuania GDP	(2012)	36.74%	(2012)	Not reported	(BEA)

* Lithuania Official Statistics Portal (http://osp.stat.gov.lt/en/statistiniu-rodikliu-analize1)

Table 3: Lithuania's Sources and Destination of FDI (2012)

Direct Investment from/in Lithuania					
From Top Five Sources/To Top Five Destinations ***(US Dollars, Millions)***					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	16,019	100%	Total Outward	2,588	100%
Sweden	3,420	21%	Netherlands	588	23%
Poland	1,781	11%	Estonia	367	14%
Germany	1,656	10%	Latvia	315	12%
Netherlands	1,231	8%	Cyprus	313	12%
Norway	945	6%	Poland	186	7%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF

Table 4: Lithuania's Sources of Portfolio Investment (2012)

Portfolio Investment Assets		
Top Five Partners (Millions, US Dollars)		
Total	**Equity Securities**	**Total Debt Securities**

World	3,683	100%	World	1,881	100%	World	1,802	100%
Luxembourg	1,051	29%	Luxembourg	987	53%	France	332	18%
France	406	11%	Ireland	292	16%	Germany	204	11%
Ireland	324	9%	Estonia	200	11%	Netherlands	179	10%
Germany	227	6%	United States	83	4%	Denmark	115	6%
Estonia	221	6%	France	74	4%	Romania	80	4%

Source: IMF

19. Contact Point at Post for Public Inquiries

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