LITHUANIA

INVESTMENT CLIMATE STATEMENT

2015

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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 (2.9 percent GDP growth in 2014). The country joined the Eurozone in January 2015, and has applied 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 2014, the United States was Lithuania’s 17th largest investor, with cumulative investments totaling USD 160.4 million (1.2 percent of total FDI).

Following its election at the end of 2012, the current Lithuanian government started to focus on attracting investment by lowering barriers, partnering with the private sector, and offering financial incentives. In 2013, the government passed legislation which streamlined 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. 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 advocates 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 hinderance to investment, as does the lack of access to open, transparent information on tax collections and government procurement. Energy costs in Lithuania are declining as a result of diversification projects and lower global oil prices.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Lithuania's laws assure equal treatment for both foreign and domestic investors. No special permit is required from government authorities to invest foreign capital in Lithuania. State institutions have no right to interfere with the legal possession of foreign investors' property. 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.

Other Investment Policy Reviews

As a member of European Union, Lithuania has ratified WTO investment requirements.

Laws/Regulations of Foreign Direct Investment

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 related 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.

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.

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.

Industrial Promotion

Government promotes investment in all industries equally.

Limits on Foreign Control

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. Lithuanian law establishes no limits on ownership or control of foreign investments excluding land ownership. Land may be purchased only by citizens off EU, NATO, and OECD members.

Privatization Program

Foreign investors are treated equally in privatization programs. The government has privatized most state enterprises and property, and the State Property Bank (http://www.turtas.lt/en/home.html) is responsible for managing and privatizing state assets. 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 purchased the majority of state assets privatized since 1990. These included companies in the banking, transportation, and energy sectors.

Screening of FDI

The State Property Bank 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. The last time the State Property Bank (at that time known as the State Property Fund) halted privatization was in 2003, when Italian wine producing company Bosca sought to purchase Lithuanian wine and spirits producer Alita.

Competition Law

There is a domestic Competition Council, which is responsible for ensuring competition laws are not violated. More information is available at: http://kt.gov.lt/en/index.php.

Investment Trends

In 2014, foreign direct investment (FDI) into Lithuania increased by 11 percent compared to the previous year. According to "Invest Lithuania," the largest growth in FDI occurred in software design, development, and testing. This growth is closely linked to the arrival in Lithuania of a number of new investors in the computer and video gaming industry. The other largest sector for overall investment volume remained business services and logistics, which comprised about 20 percent of all new investment projects. The largest FDI sources in 2014 included Scandinavia, the United Kingdom, and the United States.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	39 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	24 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	39 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 24,550	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

In January 2015, Lithuania joined the Eurozone. Prior to adoption of the Euro, the national currency, the Litas, was pegged to the Euro at the rate of LTL 3.45 to EUR 1.

Remittance Policies

Lithuanian remittance policies allow free and unrestricted transfers.

3. Expropriation and Compensation

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. The compensation must include interest calculated 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. 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. While the Lithuanian government has restituted most of this property, including Jewish communal property in 2011, private property restitution remains incomplete. A commission on Jewish culture and heritage created in 2015 is expected to address the issue of private property restitution.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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.

Bankruptcy

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 order 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.

Investment Disputes

There have been no major disputes between U.S. investors and the government since 1991. However, Lithuanian companies and hence, Lithuania, were involved in several investment disputes against investors from Europe. Most of the disputes were solved by agreement of the parties and only a few disputes having reached the Arbitration Court. The Italian company Bosca raised the most recent dispute against Lithuania. The decision of the arbitral tribunal was in favor of Lithuania.

International Arbitration

In the event of an investment dispute, the foreign investor has a right to seek resolution by mutual agreement in Lithuanian courts or other international arbitration institutions. An international investor also has a right to appeal directly to the International Centre for Settlement of Investment Disputes.

ICSID Convention and New York Convention

Lithuania is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention),. They are also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

According to the Lithuanian Arbitration Court, the trial process takes up to six months, but depending on a complexity of a case and with agreement of both parties, it can be extended. Also, before the legal proceedings start, the Arbitration Court has 30 days to decide if it will accept the case and three months to prepare all the needed materials for the trial process. If parties are not satisfied with the decision of Lithuanian Arbitration Court, they can appeal to international institutions.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Lithuanian investment policies are consistent with the World Trade Organization (WTO) agreement on Trade-Related Investment Measures (TRIMS).

Investment 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.

Lithuanian municipalities provide special incentives to investors, who create jobs or, invest in infrastructure, therefore contributing to the welfare of the municipality. 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 Free Economic Zones (FEZs). There are located near the cities of Kaunas, Klaipeda, Siauliai, Kedainiai, Panevezys, Akmene, and Marijampole. So far, the Kaunas and Klaipeda zones have been able to attract the most business. There are 15 businesses operating in the Klaipeda FEZ, and 20 in the Kaunas FEZ. The companies operating in the FEZs are obligated to follow the same accounting and reporting rules as companies operating in the rest of the country.

Companies that invest or are operating within the zones enjoy:
- six years' exemption from corporate income tax and a 50 percent reduction during the following 10 years, if the company invests more than USD 1.2 million
- exemption from real estate tax
- no tax on dividends (if the company is foreign)

Research and Development

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. 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. Lithuania's "Law on Public Procurement," which took effect on March 1, 2003, is in accordance with the EU's acquis communautaire.

Performance Requirements

Some foreign investors, including U.S. citizens, report difficulties in obtaining and renewing residency permits. 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. However, foreigners may only submit residency permit applications after they arrive in Lithuania. Therefore, the Embassy recommends applicants work with Lithuanian embassies and consulates to review documentation required for a permit. Once the permit application is submitted in Lithuania, by law, Lithuanian authorities are allowed up to six months to issue residence permits to U.S. citizens, but in recent years has issued permits in less than three months on average. This timing does not include the time required to process work permits or other documentation, which must be started before applying for a residence permit. Documentary requirements are extensive and change frequently. For an exhaustive list of required documents, visit: http://www.migracija.lt/index.php?-746934303. 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. The Embassy recommends that those applying for residency permits who intend to reside with dependents in Lithuania investigate the possibility of their dependents to obtain derivative residency permits. The Embassy is aware of cases where U.S. citizens were asked to leave Lithuania solely because their applications for residence permits were not processed within the 90 days for which they were initially admitted.

Data Storage

Although there are no laws regulating data storage, the Law on Cyber Security, which was passed by the Seimas in December 2014, gives the Cyber Division of the National Criminal Police (Cyber Police) the authority to order internet service providers (ISPs) and hosting services to temporarily restrict – for not more than 48 hours without court approval – services to users if the users or technologies used are suspected of criminal activities. The law also gives the Cyber Police right to collect, analyze, and evaluate information about potential violations in cyber space, and order ISPs and hosting services to temporarily store and save information related to service subscribers. This information would allow authorities to specify the technical aspects of the type of communication used in the violation, and identify the user, IP address, and telephone or other access number. The Cyber Police also has the right to instruct providers to save and store information about the user accounts, payments, and electronic data, including contents of the information flow. With a court order, the Cyber Police have the right to receive data on users' information flow and control the contents of information transferred.

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. When state-owned companies and private companies compete for public or private contracts, they do so on legally equal terms.

7. Protection of Property Rights

Real Property

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.
- International agreements, such as the 1958 New York Convention on the recognition and enforcement of foreign arbitral awards, offer protection.
- Bilateral agreements with the United States and other western countries on the mutual protection and encouragement of investments reinforce these protections. The U.S. and Lithuania signed a Bilateral Investment Treaty in 1998.
- 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.
- In the event of justified expropriation, applicable law entitles investors to compensation equivalent to the fair market value of the expropriated property.
- 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.
- 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.

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

Lithuania has significantly improved IPR protection in recent years, to the point that its legal structures are stronger, enforcement is better, and infringements and theft are not common as they once were. 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)
- The Trademark Law Treaty of 1994 (effective April 27, 1998)

Lithuania enacted regulations in 2002 to protect confidential test data submitted by pharmaceutical firms 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. In 2008 it was removed from the Special 301 Watch List. In 2014, 16 new IP-related criminal investigations were launched. 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/.

Resources for Rights Holders

Contact at Mission:
Jonas Vasilevicius, Commercial Specialist
Tel: 370-5 2665671
VasileviciusJ@state.gov

Website for list of lawyers: http://vilnius.usembassy.gov/attorneys.html

American Chamber of Commerce in Lithuania:
Phone: + 370 5 261 1181
E-mail: info@amcham.lt, acc@iti.lt
Web page: http://www.amcham.lt/en/

U.S. Commercial Service in Poland
Tel.: (48 22) 625 4374
Fax: (48 22) 621 6327
E-mail: office.warsaw@trade.gov

8. Transparency of the Regulatory System

The regulatory system 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 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. Businesses also note that they would like to have more opportunity to consult with lawmakers regarding new legislation and that new legislation sometimes appears with little advance notice. The government is using technology to improve transparency: for example, the Seimas' website contains 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. All government procurement tenders are required to be posted on-line on a centralized database.

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

The World Bank's Doing Business Report ranks 189 economies by evaluating them in ten categories related to the Ease of Doing Business. Lithuania ranked 24th out of 189 in 2014. Lithuania scored especially high in the categories of Registering Property (9th) and Starting a Business (11th). It did less well in the categories of Getting Electricity (105th) and Protecting Investors (78th).

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.

Money and Banking System, Hostile Takeovers

The banking system is stable, well regulated, and conforms to EU standards. Currently there are seven commercial banks holding a license from the Bank of Lithuania, eight foreign bank branches, two foreign banks representative offices, the Central Credit Union of Lithuania, and 75 credit unions. 280 EU banks provide cross-border services in Lithuania without a branch operating in the country, and three financial institutions controlled by EU licensed foreign banks provide services without a branch. Nearly all foreign banks are under Scandinavian control. By the end of 2013 (the most recent year available), the total assets of major Lithuanian banks were:
- SEB – USD 9.35 billion (www.seb.lt)
- Swedbank – USD 7.69 billion (www.swedbank.lt)
- DnB – USD 4.76 billion (www.dnb.lt)

Other smaller banks:
- Citadele (www.citadele.lt)
- Siauliu Bankas (www.sb.lt)
- Medicinos Bankas (http://finasta.com/lit/lt)
- Finasta (www.medbank.lt)

Since January 1, 2015, these banks are supervised by the European Central Bank and the Bank of Lithuania.

There is no restriction on trades. The ownership of shares acquired through automatically matched trades is settled on the third working day following the conclusion of the transaction. 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 both owned by the U.S. firm NASDAQ and the Dubai Bourse (visit http://www.nasdaqomxbaltic.com/). The Supervisory Service at the Bank of Lithuania supervises commercial banks and credit unions, securities market, and insurance companies. Lithuanian law does not regulate hostile takeovers.

10. Competition from State-Owned Enterprises

There are 109 State-Owned Enterprises (SOEs) in Lithuania. 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 complaints from either foreign or domestic companies regarding cases of state companies exercising superiority in competing for business.

OECD Guidelines on Corporate Governance of SOEs

The BICG report also concludes that Lithuanian SOE practices fall short of meeting OECD 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 helped to professionalize and depoliticize SOE boards and 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.

Sovereign Wealth Funds

Lithuania does not maintain Sovereign Wealth Funds.

11. Corporate Social Responsibility

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 partnership.

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 will require high standards of CSR. Foreign investors in Lithuania have played a very important role in promoting CSR. In 2009, the government developed and approved a National Corporate Social Responsibility Development Program aimed at promoting CSR. Also, in the past few years there has been a growing interest from both government and NGOs alike in promoting 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.

OECD Guidelines for Multinational Enterprises

OECD has not published guidelines for Multinational Enterprises in Lithuania. Lithuania is covered as the EU member state in the guidelines for EU.

12. Political Violence

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

13. Corruption

According to the EU report on corruption released in February 2014, Lithuania has demonstrated a commitment to prevent and combat corruption through its extensive legal framework. In this report, the European Commission (EC) recommended 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 recommended 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 needing improvement.

Lithuania has been 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 their public bids must be submitted electronically. As a result, the share of e-procurement rose from 7.7 percent to 63 percent in 2010, reaching 87 percent in 2014. The range of information published - including draft technical specifications, concluded and performed public contracts, and suppliers' subcontractors - exceeds the requirements of EU law. Nonetheless, procurement information is generally published in Lithuanian and not English.

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

More than 50 governmental institutions regulate commerce in one way or another, creating plenty of 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

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 at a low 39rd out of 177, in its 2014 Perceptions of Corruption Index. As being prone to corruption, police, medical personnel and local government, were among those cited.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

In 2006 Lithuania ratified the UN Anticorruption Convention; however, the country has not signed the OECD Anti-Bribery Convention.

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

The United States and Lithuania have signed and ratified the following agreements and treaties:
- a charter of partnership between the United States, Estonia, Latvia, Lithuania (http://www.state.gov/1997-2001-NOPDFS/regions/eur/ch_9801_baltic_charter.html);
- a bilateral investment treaty that ensures reciprocal investment protection and encourages additional investment (http://www.state.gov/e/eb/ifd/43299.htm);

- an extradition treaty (http://www.state.gov/documents/organization/130945.pdf);
- an agreement on social security (http://www.ssa.gov/policy/docs/progdesc/ssptw/2012-2013/europe/lithuania.html); and,
- an agreement on cooperation in preventing proliferation of weapons of mass destruction and promotion of defense and military relations (http://www.state.gov/s/l/treaty/caseact/c34684.htm).

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.

Bilateral Taxation Treaties

Lithuania has a treaty on avoidance of double taxation with the United States. (http://www.irs.gov/pub/irs-trty/lith.pdf). It also has:
- a foreign account tax compliance act (FATCA) (http://www.treasury.gov/resource-center/tax-policy/treaties/Documents/FATCA-Agreement-Lithuania-8-26-2014.pdf);
- a treaty on legal assistance in criminal matters (http://www.state.gov/s/l/treaty/tias/107462.htm);

15. OPIC and Other Investment Insurance Programs

Coverage from the Overseas Private Investment Corporation (OPIC) (www.opic.gov) is available for U.S. investments in Lithuania.

Lithuania is a member of the Multilateral Investment Guarantee Agency (MIGA) (www.miga.org).

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. Maternity leave in Lithuania is granted up to 126 days, and the government compensates 100 percent of the mother's salary. A father is also allowed to take paternity leave for one month- his salary is compensated 100 percent as well. Sick leave in Lithuania is granted up to 14 days at any one time and no more than 90 days a year. For the first two days the salary compensation is 80 – 100 percent and it is paid by the employer the rest of the days are compensated by SODRA (Lithuanian Social Security body) at 80 percent of the salary. Lithuania is a member of International Labor Organization (ILO) and has ratified its core conventions.

The government adjusts the monthly minimum wage periodically. As of October 1, 2014, Lithuania's minimum monthly wage was EUR 300 (USD 327). The average monthly wage was approximately USD 778 in the last quarter of 2014. The average salary increased by approximately 5.1 percent in 2014 compared to 2013.

The ability of Lithuanians to work legally in EU countries generated in the past a sizable outflow of labor, causing a domestic 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 2014 was 10.1 percent.

Lithuania's management-labor 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 1991.

Some business leaders claim that the Labor Code lacks flexibility and increases the cost of production by making it harder to hire and fire employees. 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. Lithuania ranks fourth among the EU states in terms of population with higher education and first 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 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/Trade Facilitation

Lithuania does not have foreign-trade zones.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	45,928	2013	45,931	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013	422.40	2013	N/A	http://bea.gov/international/factsheet/factsheet.cfm?Area=333
Host country's FDI in the United States ($M USD, stock positions)	2013	16.69	2013	N/A	http://bea.gov/international/factsheet/factsheet.cfm?Area=333
Total inbound stock of FDI as % host GDP	2012	36.74%	2013	N/A	BEA

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

Table 3: Sources and Destination of FDI

The table below shows the main five partner countries for inward and outward FDI at the end of 2013. The top five partners account for more than 50 percent of total FDI in Lithuania. Data provided by the IMF: http://data.imf.org/.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	17,049	100%	Total Outward	2,852	100%
Sweden	4,038	24%	Netherlands	693	24%
Poland	1,721	10%	Estonia	413	14%
Germany	1,715	10%	Latvia	399	14%
Netherlands	1,486	9%	Cyprus	359	13%
Norway	1,059	6%	Poland	318	11%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

The table below provides the top five partners which invest in Lithuanian portfolios. The U.S. is the number four investor in Lithuanian equity securities. Data is provided by the IMF: cpis.imf.org.

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	4,544	100%	All Countries	2,125	100%	All Countries	2,419	100%
Luxembourg	1,071	24%	Luxembourg	956	45%	France	575	24%
France	646	14%	Ireland	435	20%	Germany	283	12%
Ireland	469	10%	Estonia	196	9%	Netherlands	190	8%
Germany	309	7%	United States	89	4%	International Organizations	154	6%
Estonia	217	5%	Norway	79	4%	Denmark	121	5%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

Jonas Vasilevicius, Commercial Specialist
Tel: 370-5 2665671
VasileviciusJ@state.gov

U.S. Embassy Vilnius
Akmenu str. 6
Vilnius, Lithuania
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