Lithuania

RISK & COMPLIANCE REPORT

DATE: January 2017

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Executive Summary - Lithuania	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

grain, potatoes, sugar beets, flax, vegetables; beef, milk, eggs; fish

Industries:

metal-cutting machine tools, electric motors, television sets, refrigerators and freezers, petroleum refining, shipbuilding (small ships), furniture making, textiles, food processing, fertilizers, agricultural machinery, optical equipment, electronic components, computers, amber jewelry

Exports - commodities:

mineral products, machinery and equipment, chemicals, textiles , foodstuffs, plastics

Exports - partners:

Russia 19%, Latvia 11%, Estonia 7.9%, Germany 7.9%, UK 6.4%, Poland 6.1%, Netherlands 5.9%, Belarus 4.5% (2012)

Imports - commodities:

mineral products, machinery and equipment, transport equipment, chemicals, textiles and clothing, metals

Imports - partners:

Russia 32.5%, Germany 9.8%, Poland 9.8%, Latvia 6.1%, Netherlands 5.5% (2012)

Investment Restrictions:

The government affords foreign investors protection equal to that provided to domestic investors, and sets few limitations on their activities.

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.
- Non-Lithuanians are generally not able to buy agricultural or forest land. As part of its EU accession agreement, however, Lithuania must eliminate this restriction by 2014. The restriction does not apply to most non-Lithuanian individuals and organizations that have engaged in agriculture in Lithuania for at least three years. This restriction also does not apply to organizations that have established representative or branch offices in Lithuania.

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; and
- 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.

Contents

Section 1 - Background

Lithuanian lands were united under MINDAUGAS in 1236; over the next century, through alliances and conquest, Lithuania extended its territory to include most of present-day Belarus and Ukraine. By the end of the 14th century Lithuania was the largest state in Europe. An alliance with Poland in 1386 led the two countries into a union through the person of a common ruler. In 1569, Lithuania and Poland formally united into a single dual state, the Polish-Lithuanian Commonwealth. This entity survived until 1795 when its remnants were partitioned by surrounding countries. Lithuania regained its independence following World War I but was annexed by the USSR in 1940 - an action never recognized by the US and many other countries. On 11 March 1990, Lithuania became the first of the Soviet republics to declare its independence, but Moscow did not recognize this proclamation until September of 1991 (following the abortive coup in Moscow). The last Russian troops withdrew in 1993. Lithuania subsequently restructured its economy for integration into Western European institutions; it joined both NATO and the EU in the spring of 2004.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Lithuania is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Lithuania was undertaken by the Financial Action Task Force (FATF) in 2012. According to that Evaluation, Lithuania was deemed Compliant for 10 and Largely Compliant for 20 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2012):

Since 1999, an interagency working group, which also includes representatives from the business sector, has been respo nsible for anti - money laundering and countering terrorist financing (AML/CFT) policies. The working group is responsible for, among other things, the analysis of trends, the elaboration of legislative and other proposals and the coordination of activities related to international organisations such as the EU and MONEYVAL .

The authorities consider the risk of terrorist financing to be low, even though no formal risk assessment was conducted to shore up this conclusion. A report issued by Europol in 2011on terrorism seems to corroborate the authorities' view since it indicates that there is no evidence of terrorist activity in or from Lithuania. With respect to the risk of ML, no description of the general situation of money laundering and profit - generating c rimes was made available. Although the interagency working group is responsible for the analysis of trends, it appears that no such analysis was ever undertaken. Information obtained by the evaluators from open sources indicates that criminal activities ha ve increased in recent years, possibly as a result of the financial crisis. The crisis brought about an expansion of the underground economy, although official figures appear to downplay the significance of this phenomenon. According to publicly - available information, the major proceeds - generating crimes, especially with respect to criminal organisations, are drug and human trafficking, smuggling and fraud schemes committed both domestically and on a cross - border level. Corruption also appears to be widely entrenched within the system. Proceeds are generally laundered through the integration of funds into financial and construction businesses and the acquisition of economic entities made insolvent by the financial crisis. According to information fr o m open s ources, flows of dirty money generated in foreign jurisdictions are introduced into the Lithuanian financial system through the use of shell companies and other entities, including non - profit organisations.

Since the Third Round Evaluation, Lithuania has introduced new provisions criminalising unlawful enrichment and allowing for extended confiscation. These provisions usefully complement the existing regime on confiscation and temporary measures. Nevertheless, certain key elements relating to the criminalisation of ML, as provided for under the Vienna and Palermo Report on 4th assessment visit of Lithuania Conventions, are still missing. There has been no real progress in terms of ML convictions. Certain initiatives were undertaken in 2011 to encourage a broader use of financial investigations with a view to targeting proceeds of crime. However, results in this area remain modest both in terms of ML convictions and confiscation of proceeds, especially when considering the high incidence of proceeds - generating crime in Lithuania.

The criminalisation of TF has remained virtually unchanged since the last evaluation, with all the attendant deficiencies identified by the evaluators in the Third Round. A draft law, which is intended to address those deficiencies, was sent to parliament at the end of 2010. However, no developments have occurred since then. The only notable improvement was the amendment to the definition of TF which is now aligned to EU standards in this area. A TF conviction concerning support to the Irish Republican Army was obtained in 2011 on the basis of the present legislation. An appeal from the judgement of the court of first instance is currently pending before the court of appeal.

The legislative framework dealing with the freezing of terrorist funds appears to be largely in place. Nevertheless, further clarification is required regarding the mechanism which is to be resorted to when challenging domestic and EU freezing orders. Further awareness and guidance on the implementation of the relevant UNSCRs would also be a welcome develop ment. Additionally, the supervisory process to enforce the application of resolutions needs to be strengthened.

Notwithstanding the fact that the Financial Crime Investigation Service (FCIS) is the entity designated as the financial intelligence unit (FIU) of Lithuania, the Money Laundering Prevention Department , which is situated within the FCIS , is effectively responsible for the all the core functions of a FIU . The situation could present legal difficulties, which may potentially impair the effectiveness of the FIU. In addition to various other legal deficiencies within the legal framework regulating the FIU, it was noted that the analytical work undertaken by the FIU has not had a major tangible impact on the overall effectiveness of the AML/CFT regime in Lithuania. The same applies to the law enforcement authorities responsible for the investigation of ML/FT, although an improvement was registered since the last evaluation. The number of ML investigations initiated by law enforcement authorities is still considered to be low by the evaluators. Additionally, the approach to money laundering investigations in a significant number of investigations of predicate offences is not sufficiently proactive. The preventive AML/CFT measures are not being implemented effectively by the financial sector and DNFBPs . Although to some extent the required CDD measures are in place, some financial institutions and most DNFBPs do not appear to be sufficiently familiar with the full extent of their obligations . In particular , awareness of the requirements dealing with the identification of beneficial ownership and PEPs appears to be rather scant . With the notable exception of the banking sector, a large majority of financial institutions and DNFBPs have never submitted a STR to the FIU. Although supervision is exercised on all sectors, except for company service providers, it appears to be weak in practice and insufficiently focused on AML/CFT - related issues.

In principle, a number of measures guarantee the transparency of le gal persons and arrangements. For instance, the existence of a central register of legal persons ensures that information on such entities is easily accessible. Nevertheless, certain information is still not available in electronic format. Additionally, it is debatable whether information on all the beneficial owners of legal persons is contained within the central register. The evaluators also noted that the authorities have still not reviewed the suitability of the legal and supervisory framework regulati ng non - profit organisations as recommended in the Third Round.

Lithuania has ratified all the relevant international conventions and it can provide a broad range of assistance to foreign countries, provided that cooperation is not technically hindered by the Report on 4th assessment visit of Lithuania shortcomings identified, for instance, with respect to the criminalisation of ML, FT and temporary measures.

Overall, the many deficiencies identified with respect to the implementation of the AML/CFT regime puts into question the effectiveness of the existing coordination mechanisms between the various competent authorities involved in the prevention of ML/FT

US Department of State Money Laundering assessment (INCSR)

Lithuania was deemed a 'Monitored' Jurisdiction of xyxy by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, its geographic location bordering Belarus and Russia makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, cigarette smuggling, illegal production and sale of alcohol, illegal capital flight, and profit concealment, are tied to tax evasion. There are no reports of public corruption contributing to money laundering or terrorism financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 397: January 1 – November 1, 2015

Number of CTRs received and time frame: 504,420: January 1 - November 1, 2015
STR covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 57: January 1 - November 1, 2015
Convictions: 12: January 1 - November 1, 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Lithuania is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF- style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The law amending the Law on Prevention of Money Laundering and Terrorist Financing was adopted in May 2014 and went into effect on January 1, 2015. The most notable changes relate to the suspicious transaction reporting (STR) system, customer due diligence obligations, and record-keeping. The Bank of Lithuania and the Financial Crimes Investigation Service (FCIS), the financial intelligence unit, organized a meeting with financial institutions in order to discuss the implementation of the new requirements. Following the amendments, the FCIS prepared regulations adopting new procedures for more efficient and sophisticated data processing and analysis. The FCIS now requires electronic submission of information from obligated reporting bodies.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Lithuania does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Lithuania is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Lithuania is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2014 (introduction):

Lithuania Is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Lithuania is a source, transit, and destination country for women and girls subjected to sex trafficking, as well as a source and destination country for men subjected to labor trafficking. Lithuanian children and adults are increasingly forced to engage in criminal activities, primarily shoplifting, in Nordic countries, France, the Netherlands, Spain, and the United Kingdom (UK). Observers estimate that 40 percent of identified Lithuanian trafficking victims are women and girls subjected to sex trafficking within the country. Lithuanian women are also trafficking victims in France, Germany, Italy, Ireland, the Netherlands, Spain, Sweden, and the UK. Lithuanian women and girls from orphanages and state-run foster homes, as well as women with mental or psychological disabilities, are especially vulnerable. A small number of women from Russia and Belarus are transported through Lithuania en route to Western Europe, where they are forced into prostitution. Some Lithuanian men are subjected to forced labor in the Netherlands, the UK, and the United States, including in agriculture. Men from Bulgaria may be subjected to labor trafficking in Lithuania.

The Government of Lithuania does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. While the government investigated and convicted more traffickers in 2013, law enforcement efforts were hampered by inadequate judicial understanding of the crime, resulting in lax punishments for trafficking offenders. The government did not provide adequate training for police; consequently, authorities did not consistently identify victims and refer them to care, and some child victims of trafficking were reportedly treated as criminals. Public funding for care providers did not sufficiently cover assistance costs for victims receiving care.

US State Dept Terrorism Report 2009

The Lithuanian military was an active participant in multinational operations against terrorist and insurgent elements. In Iraq, Lithuania maintained four trainers serving in the NATO Training Mission-Iraq. In Afghanistan, Lithuania led a Provincial Reconstruction Team in Ghor Province that is responsible for maintaining a stable environment throughout the province and coordinating reconstruction efforts. Lithuania contributed approximately 215 personnel to NATO's International Security Assistance Force.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	59
World Governance Indicator – Control of Corruption	70

Corruption and Government Transparency - Report by US State Department

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.

Section 3 - Economy

Lithuania gained membership in the World Trade Organization and joined the EU in May 2004. Despite its EU accession, Lithuania's trade with its Central and Eastern European neighbors, and Russia in particular, accounts for a significant share of total trade. Foreign investment and business support have helped in the transition from the old command economy to a market economy. The three former Soviet Baltic republics were among the hardest hit by the 2008-09 financial crisis. The government's efforts to attract foreign investment, to develop export markets, and to pursue broad economic reforms has been key to Lithuania's quick recovery from a deep recession, making Lithuania one of the fastest growing economies in the EU. Lithuania is committed to meeting the Maastricht criteria to join the euro zone, which the government expects to achieve by 2015. Under the Conservative Party's leadership, Lithuania raised the monthly minimum wage in January 2012 nearly 25% over 2011. In January 2013, the new Social Democrat-led government increased the minimum wage another 25% over January 2012. Despite government efforts, unemployment remains high.

Agriculture - products:

grain, potatoes, sugar beets, flax, vegetables; beef, milk, eggs; fish

Industries:

metal-cutting machine tools, electric motors, television sets, refrigerators and freezers, petroleum refining, shipbuilding (small ships), furniture making, textiles, food processing, fertilizers, agricultural machinery, optical equipment, electronic components, computers, amber jewelry

Exports - commodities:

mineral products, machinery and equipment, chemicals, textiles , foodstuffs, plastics

Exports - partners:

Russia 19%, Latvia 11%, Estonia 7.9%, Germany 7.9%, UK 6.4%, Poland 6.1%, Netherlands 5.9%, Belarus 4.5% (2012)

Imports - commodities:

mineral products, machinery and equipment, transport equipment, chemicals, textiles and clothing, metals

Imports - partners:

Russia 32.5%, Germany 9.8%, Poland 9.8%, Latvia 6.1%, Netherlands 5.5% (2012)

Banking

Lithuania has a strong and well-developed banking system, under the supervision of the Bank of Lithuania. The IMF and international risk-rating agencies closely monitor Lithuania's banking sector. The country has adopted a universal banking model that allows banks to participate in other financial activities including operating, leasing, insurance, and brokerage firms.

There have been no bank failures in Lithuania over the past decade. Currently, nine commercial banks, seven foreign bank branches, five foreign bank representative offices, and sixty-seven credit unions operate in the country. Money laundering, tax evasion, and other financial crimes are prevalent in the region. Lithuania has implemented appropriate laws, bank monitoring regimes (internal and external), and law enforcement tools to deter and detect such crimes. Nonetheless, investors should exercise due diligence when selecting a bank.

Major Lithuanian commercial banks service the entire country through their branch networks. They also manage individual subsidiaries that engage in mortgage banking, finance company activities, credit card business, and investment operations. Commercial banks have extensive foreign networks of branch offices, subsidiaries, consortium banks, and representative offices, through which foreign trade payments are made.

Stock Exchange

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. The Vilnius Stock Exchange is part of the NASDAQOMX Baltic Group of exchanges and offers access to 80 percent of all securities trading in the Nordic and Baltic marketplace. OMX is owned by the U.S. firm NASDAQ and the Dubai Bourse.

Section 4 - Investment Climate

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 43th 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

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system; legislative acts can be appealed to the constitutional court

International organization participation:

Australia Group, BA, BIS, CBSS, CD, CE, EAPC, EBRD, EIB, EU, FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITU, ITUC (NGOs), MIGA, NATO, NIB, NSG, OAS (observer), OIF (observer), OPCW, OSCE, PCA, Schengen Convention, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Lithuania has no exchange controls

Treaty and non-treaty withholding tax rates

Burundi	20	BURUNDI
Cambodia	21	CAMBODIA
Cameroon	27	CAMEROON
Canada	81	CANADA
Cape Verde	57	CAPE VERDE
		CAYMAN ISLANDS
Central African Republic	24	CENTRAL AFRICAN REPUBLIC
Chad	22	CHAD
Chile	73	CHILE
China	36	CHINA
Colombia	37	COLOMBIA
Comoros	26	COMOROS
Congo, Democratic Republic of	22	CONGO, DEM. REP.
Congo, Republic of	23	CONGO, REP.
Costa Rica	54	COSTA RICA
Côte d´Ivoire	32	CÔTE D'IVOIRE

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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