GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED
L/7167
1 February 1993
Limited Distribution

Original: English

ECONOMIC AND FOREIGN TRADE REGIME OF THE REPUBLIC OF LITHUANIA

Communication from the Republic of Lithuania

The following communication, dated 22 December 1992, has been received from the Ministry of International Economic Relations of the Republic of Lithuania.

Statement on Economic and Foreign Trade Situation of the Republic of Lithuania

Before March 1990, Lithuania's economy developed within the framework of a centrally-planned system with a rigid industrial system excessively integrated with the USSR. Upon the declaration of independence, Lithuania embarked on the processes of democracy in all aspects of political, economic and social life. Lithuania sought its position in the world based on its historical background of independence. The basic economic objectives were the transition to a market economy and the reintegration with Europe.

Economic Reform:

First, the State monopoly in foreign trade was dismantled and the import/export planning system eliminated. By 1992 very few export licensing rules remained. State-owned enterprises were provided full autonomy in decision making regarding commercial and financial activities. Legislation laid the framework provided for the development of the private sector with laws establishing companies and foreign investments, claim settlements for assets, commercial banking amongst others. In 1992, antimonopoly, fair competition and bankruptcy laws were passed.

A banking system independent of the former USSR was established with the creation of the Bank of Lithuania which is moving in stages to operating within the confines of a central bank. By 1991 three banks were privately owned with a number of others partially private and partially government owned. Over twenty banking firms function currently with the Bank of Lithuania responsible for licensing. Foreign correspondent accounts have been progressively extended. In October of 1992, Lithuania's money the talonas was introduced as an interim step to finally re-establishing its own currency, the litas. Initially, currency exchange was handled only by the Bank of Lithuania, but regulations were gradually eased so that all financial firms now competitively buy and sell currency, some holding auctions. The banking institution maintains close cooperation with the Nordic Investment Bank, EBRD, EC's Phare program, KEW and other financial agencies.

Price controls were rather rapidly eliminated in phases so that by the beginning of 1992, controls existed for very few food staples, rents, transportation and energy. By mid-1993 all price controls are expected to be eliminated.

1. Land restitution. Property confiscated by the Soviets was being returned with priority to those willing to farm. Though only about 30 per cent of claims had been honoured by Spring 1992, some 68 per cent of other farm assets had been reverted to private ownership and this served to break the collective farm system. Some private small farmers have formed cooperatives. Legislation does not permit land ownership for non-citizens, but 1992 legislation laid the groundwork for buying and selling of land by citizens.

2. Privatization of State owned assets. Investment vouchers were distributed to all citizens in late 1991 providing for the purchase of residences or stocks in businesses. By mid-1992 some 70 per cent of residences had reverted to private ownership and this process should be completed by year end. A private rental market now exists along with real estate brokers.

Some one thousand seven hundred small State enterprises, comprising virtually all small, and most medium-sized enterprises were privatized by the third quarter of 1992. Some 20 per cent of large enterprise assets have also been converted to private ownership. Priority rights for the purchase of a percentage of stocks went to employees, with the rest sold on the open market by auctions, direct transfers and public subscription. In total, within a year of the economic reform programme, some 60 per cent of all State-owned assets are privately owned.

Legislation has been passed providing for a stock and bond market.

International Economic Relations:

- United Nations member, 1991;

- International Monetary Fund, EBRD, and World Bank member, 1992;

- Cooperation Agreement with the European Communities, Associated Member status expected;

- Free Trade Agreement with Sweden valid July 1992, with Finland valid January 1993 and agreements to be ratified with Norway and Switzerland;

- Over thirty bilateral trade agreements beginning with Iceland in 1991 including Political Risk Investment Insurance;

- GSP beneficiary for exports to the European Communities, United States, Canada and Austria;

- GATT observer status since September 1992 with projects underway for full membership.

Import/Export:

The national goal had been to achieve a balance of 50 per cent trade with former republics of the USSR and 50 per cent trade with the rest of the world. Although Lithuania is far from reaching its goal, export trade with "Western" countries has increased from 5 per cent of total to 15 per cent in less than two years. (See attached Import and Export data).

No import licenses are required excepting the usual prohibitions of goods dangerous to national security, human life or the environment. The export régime has been liberalized and very few export licenses are required. The list of products subject to licenses has been reviewed and shortened consistently several times per year. From the beginning of 1993 all foreign trade will be regulated only by the partial tariff schedule.

Lithuania has adopted the Harmonized Commodity Description and Coding System.

A statistical tax of 0.01 percent is applied ad valorem for all imports and exports or goods crossing the border for purposes of data registration, but will be gradually abolished as of 1993.

In 1992 an excise tax system was employed to raise revenue, especially for the Hard Currency Reserve Fund. A 10 per cent excise tax was applied to hard currency exports with some exceptions. In general, currently a 10 per cent excise tax is applied on imports in an effort to control the balance of trade deficit which occurred in the second half of 1992 due to the sudden unexpected rise in prices of raw materials, predominantly from Russia.

Some additional legislation has been passed in 1992. For example, on metals reexports, there is a requirement to sell 10 per cent of the metal to domestic firms at the market price due to local shortages of raw materials. Another example are minimal reference prices for certain categories of exports which are imposed by the Ministry of Economics. The purpose was to enforce the declaration of export prices.

Projects are underway to revamp the excise tax system on imports and exports to a tariff system. As such, all the excise tax structures here described are temporary and subject to complete change in 1993.

The Republic of Lithuania

Import and Export Data, January through June 1992
(thousand roubles)

	Exports		Imports	
TOTAL	38,110,453.3		27,887,278.0	
Total Western Countries	5,240,839.6	14%	3,042,735.0	11%
Afghanistan	2,704.0		---	
Australia	---		4,264.7	
Austria	65,380.0		111,458.5	
Belgium	212,670.6		147,419.8	
Belize	---		385.0	
Bulgaria	78,778.0		6,771.7	
Cambodia	.7		---	
Canada	80,317.2		30,322.4	
Chile	1.7		---	
China	127.9		26,246.1	
Cyprus	129,330.7		---	
Cuba	11,440.0		---	
Czech and Slovak	101,879.7		88,540.1	
Denmark	289,008.2		126,482.8	
Dominican Republic	---		104.9	
*E.E.C.	---		199,209.0	
Egypt	5,460.0		---	
Finland	253,314.5		96,540.8	
France	194,433.5		67,848.7	
Germany	713,831.2		859,721.7	
Great Britain	653,448.4		160,103.2	
Greece	22,276.5		---	
Hong Kong	18.1		---	
Hungary	83,612.5		38,969.0	
Iceland	---		120.7	
India	---		1,932.5	
Ireland	---		24,000.0	
Israel	6,812.6		10,446.8	
Italy	186.621.2		37,457.4	
Japan	20,615.2		24,497.0	
Jordan	3,526.3		---	
Korea	---		6,164.2	
Korean Democratic Republic	---		20.3	
Lebanon	16,481.0		---	
Liechtenstein	339.8		---	
Monaco	---		222.4	
Morocco	2,220.1		---	
Netherlands	195,748.3		66,329.9	
Norway	77,854.2		2,378.5	
Pakistan	45,846.2		---	
Poland	774,326.1		445,792.6	

	Exports		Imports	
Romania	39,828.0		5,790.9	
Singapore	5,614.4		3,495.3	
South Africa	386.2		---	
Spain	---		29.3	
Sweden	583,971.3		64,901.2	
Switzerland	201,544.9		64,258.5	
Taiwan	---		4,138.4	
Thailand	1,941.3		6.2	
Turkey	32,500.0		1.027.0	
United States of America	128,007.9		315.035.1	
Uruguay	1.7		---	
Venezuela	317.5		---	
Vietnam	5,760.0		---	
**Yugoslavia	12,542.0		302.4	
C.I.S.	29,288,840.1	77%	23,581,862.2	85%
Armenia	278,280.5		62,078.9	
Azerbaijan	261,369.0		71,274.8	
Belarus	5,338,221.3		1,503,423.7	
Kazakhstan	890,583.4		82,321.5	
Kirgizstan	144,835.9		302,294.8	
Moldovia	515,834.2		133,269.3	
Russia	14,218,881.3		17,411,611.9	
Tadzikistan	97,900.1		2,938.2	
Turkmenistan	216,206.0		368,723.5	
Ukraine	6,278,434.3		2,572,435.8	
Uzbekistan	1,048,294.1		1,071,489.8	
Estonia	1,143,522.0		211,795.4	
Georgia	131,052.7		84,088.2	
Latvia	2,306,198.9		966,797.2	

* Indicates grain received from the EEC at large

** Croatia	8,146.4	289.9
Macedonia	19.2	---
Slovenia	4,376.4	---

12.5 thousand roubles worth of paper was received from Yugoslavia for a loan repayment in accordance with a 1991 agreement.