

ACCESSION OF LITHUANIA

Questions and Replies
to the Memorandum on the Foreign Trade Régime
(L/7551 and Add.1)

In a communication, dated 18 January 1994, circulated as L/7398, the Government of the Republic of Lithuania applied for accession to the General Agreement on Tariffs and Trade on the basis of Article XXXIII of the General Agreement. Having regard to the Decision adopted by the General Council on 31 January 1995, the Working Party on the Accession of Lithuania to the GATT 1947 was transformed into a WTO Accession Working Party. The terms of reference of the Working Party are reproduced in document WT/ACC/LTU/1. In document L/7551, members had been invited to submit questions in writing concerning the foreign trade régime of Lithuania. The questions submitted by members and the replies thereto provided by the authorities of Lithuania are reproduced hereunder.

Delegations wishing to raise additional questions concerning the foreign trade régime of Lithuania might inform the delegation of Lithuania (with a copy to the Secretariat) of such questions in advance of the next meeting of the Working Party, so that considered replies can be made available by Lithuania to members at the time of the Working Party meeting.

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CHAPTER I. **INTRODUCTION**

Question 1

Lithuania has identified among its priorities, the development of the transport system, communications and information system and services infrastructure. Are there any restrictions on the foreign provision of services in these sectors?

Reply

Lithuania is working to elaborate a legal structure to govern services activity in its market. Currently, the only legal instrument pertaining to services is the Government's Resolution No. 511 "On Approving Regulations of Rendering Services" (12 April 1995), which provides a framework for services activity. The decision itself is very general and does not address the treatment accorded to foreign service providers. However, it does require each ministry involved in services to issue appropriate regulations governing their respective areas of responsibility.

There are no restrictions or prohibitions on the foreign provision of services to Lithuania at the current moment (except those indicated in the answer to Question 52), but for some kinds of activities the licences are necessary. A list of such activities is approved by the Law on Amendments and Supplements of the Law on Enterprises (5 July 1995), and is included in the answer to Question 52.

CHAPTER II. **ECONOMY AND FOREIGN TRADE**

1. Economy

(b) Main directions of the ongoing policies, etc.

Transition to a market economy

Question 2

In its Memorandum Lithuania mentions that it is preparing, in cooperation with the IMF, a Memorandum concerning Lithuania's economic policy for the next three years (1995-1997). Would Lithuania advise if this Memorandum has been completed and if so when will it be made available to working party members?

Reply

The Memorandum of State Economic Policy of Republic of Lithuania was approved and it is valid from the 1 October 1994, to 28 September 1997. An English language translation has been deposited with the WTO Secretariat for review by WTO members.

Prices

Question 3

It is indicated that Lithuania intends to liberalize prices in the transportation and telecommunications sectors in 1994-1996. What are the transportation and telecommunications services sub-sectors concerned, and what will be the degree of liberalization and the time-limits for implementation? What is meant by sectors working as "natural monopolies"?

Reply

Lithuania does not have a definite schedule for the liberalization of prices in the transportation and telecommunications sectors; the time frame for this process is linked to the pace of economic restructuring and privatization of these sectors, and to the increased competition that will result.

In the transport sector the Government sets prices for passenger transportation by air, rail, boat and buses between cities. Municipalities set prices for passenger transport by buses operating within cities.

The Government does not control any prices of cargo transportation.

In the telecommunications sector, the Government sets prices for services provided by the State-owned "Lietuvos Pastas" (Lithuanian Post Office) and the State-owned "Lietuvos Telekomas" (the main company providing telecommunications services).

Lithuania considers "sectors operating as natural monopolies" to be those sectors in which, for technical and economic reasons, there is an absence or restriction of competition and consumer choice possibilities. These also are sectors where one dominant State entity is operating in the whole or in a main part of the Lithuanian territory. Thus, Government regulation and control (including price regulation) is necessary for these sectors. The following sectors currently operate as natural monopolies: supply of natural gas; production and supply of electricity and heat energy; supply of water and sewage services; supply of some kinds of telecommunication and postal services; and passenger transportation.

Question 4

To what extent have prices been liberalized for agriculture and food commodities? What State control remains over prices for energy, rail and other freight methods?

Reply

Lithuania has liberalized its prices for agriculture and food commodities. Lithuania's Council on Coordination and Regulation of Purchasing of Agricultural Production (composed of agricultural producers, processors, wholesalers, and the representatives from the Ministry of Agriculture) does recommend purchase prices for cattle, milk and certain plants. However, these prices are not mandatory and are based on world market prices.

The Government regulates prices for electricity, natural gas and heat energy supplied to households (see the answer to Question 3).

In regard to rail and other freight methods, please see the answer to Question 3.

Competition

Question 5

How many of the 57 enterprises said to "have a dominant position" are active in the services area? What are the services sectors concerned?

Reply

The list of 57 entities that are dominant in the relevant markets are comprised mostly of extracting and processing industries. These entities have over 40 per cent of the market share. In the sphere of services, not including the sectors mentioned in the answers to Questions 3 and 4 that are directly controlled by the Government, four entities are included in the list of dominant entities:

- (i) the State enterprise "Lietpraba", which engages in the assaying and hall-marking of precious metals;
 - (ii) the Lithuanian-Luxembourg joint-venture "Comliet", which provides cellular communication services;
 - (iii) the State enterprise "Lietuvos kuras" ("Lithuanian fuel"), which engages in the selling of petrol; and
 - (iv) the State Bureau of Inventorization, Design and Service, which provides technical inventorization of constructions, building and engineering constructions, certification of buildings and constructions. (This Bureau has the status of the profit company).
- (c) **The division of authority between central and sub-central governments**

Question 6

Would Lithuania expand on the role of local councils in levying taxes and duties? Are any such levies applied to imported goods and, if so, are they consistent with the national treatment provisions of Article III of the General Agreement? What are the established limits and procedures in the creation of such additional taxes?

Reply

Levies set by the local council (municipalities) must be coordinated with the Ministry of Finance. Municipalities do not have the right to assess levies on objects, operations or services that are already subject to national taxes or levies. There are no such levies applied to imported goods.

CHAPTER III. FOREIGN TRADE REGIME**1. Import regulations**

- (a) **The evolution of the customs tariff**

Question 7

Could Lithuania please provide a copy of the Lithuanian applied customs tariff?

Reply

The Lithuanian applied customs tariff was approved by the Government Resolution No. 281 of 28 February 1995. A copy of this document with amendments has been deposited with the WTO Secretariat for review by WTO members.

- (b) Customs tariff nomenclature, types of duties, general description of the customs tariff structure, weighted average level of duties on main customs tariff groupings

Question 8

Did the Convention on the Harmonized System enter into force for Lithuania on 1 January 1995 as expected?

Reply

Yes.

Question 9

At the end of the list of the highest tariff rates, there is a mention of glass bottles and jars. Does this refer to empty containers, or those containing product, or both?

Reply

This refers solely to the import of empty glass bottles and jars, classified in Lithuania's customs tariff system as 7010 90 10, 7010 90 43 and 7010 90 45 (codes according to the EEC Harmonized Commodity Description and Coding System).

Question 10

Given the statement that tariff duties may be modified in the future to take account of changes in Lithuania's economic situation, has Lithuania given thought to the level of an overall ceiling binding?

Reply

Lithuania is currently giving thought to the level of bindings it will offer in connection with its accession to WTO and will communicate its conclusions as soon as possible.

- (c) **Tariff preferences**

Question 11

In this section it states: 'Lithuania does not grant tariff preferences. According to Resolution No. 627 (18 July 1994) preferential customs duties are applied with countries having a free trade agreement.' Please explain this contradiction.

Reply

To correct any misunderstanding, Lithuania does grant some tariff preferences to goods originating in countries with which it has negotiated a free trade agreement (FTA). Lithuania currently has FTAs in place with the European Union, Estonia, Latvia, Norway, Switzerland and Liechtenstein. Many of these tariff preferences are zero tariffs.

Lithuania applies conventional (MFN) import duties to goods originating in countries with which it has negotiated MFN trade agreements. Lithuania has such agreements in place with Australia, Belarus, Bulgaria, China, Cyprus, the Czech Republic, Cuba, Hungary, India, Iceland, the Republic of Korea,

Moldova, Romania, the Russian Federation, Slovakia and Turkey. Lithuania also applies conventional duties for goods originating in countries without MFN agreements but when it is in customs policy interests of Lithuania. The following countries benefit from such treatment: Canada, Japan, Kazakhstan, Poland, Tajikistan, Ukraine and the United States.

Autonomous duties are applied for goods originating from countries not benefiting from FTAs or MFN treatment.

Question 12

To what extent is agriculture covered by each of Lithuania's free trade agreements, and what are the margins of preference for affected commodities for each agreement?

Reply

Lithuania's free trade agreements provide for the elimination of duties on substantially on the trade between the parties.

The following description of agricultural trade pertains to chapters 1-24 of the Harmonized System.

An FTA with the European Union (signed on 18 July 1994, which entered into force on 1 January 1995) provides that Lithuania committed itself to abolish import duties for industrial goods progressively over a period of 6 years. An earlier signed agreement on trade in textile products was entirely incorporated into the FTA. For textiles imported from countries of the European Union, Lithuania applies zero tariff (Lithuanian conventional duty for textile products seeks 10-25 per cent).

Trade on agricultural products (as well as fish products) with the EU is regulated by the protocols of exceptions of the FTA. EU agricultural products imported in to Lithuania are imposed by current conventional duties (MFN), and by the year 2000, such duties must be reduced by approximately 10 per cent. The FTA provides that the EU will grant increased tariff quotas for its imports of unprocessed agricultural products from Lithuania.

A Free Trade Agreement between Lithuania and Norway was signed on 16 June 1992, and entered into force on 1 August 1993. Under this agreement there is applied zero tariff in trade with industrial goods and fish products.

On the same date, another agreement was signed concerning trade in agricultural products (HS 1-24). In this document there were listed positions of Lithuanian agricultural products for which Norway applies discounts comparing with its MFN import duty. Under this agreement Lithuania commits itself to apply conventional duties (MFN) for the majority of agricultural products imported from Norway; also there are positions with zero tariff to imports from Norway - for cereals (Lithuanian conventional duty (MFN) for some kinds of cereals is 30 per cent), margarine (20 per cent), some oils and preparations of cereals, etc.

An FTA with Switzerland (and Liechtenstein) was signed on 24 November 1992, and entered into force on 1 April 1993. It covers all - industrial and agricultural - products. For trade in industrial products agreement approved zero tariff, for agricultural - discount system. In this agreement Lithuania listed positions of Swiss agricultural products which import must be provided on regime not less favourable as for goods imported from other EFTA or EU countries. Also it must be stressed the Swiss concessions to Lithuanian import of fish.

On 12 December 1994, the Trade Arrangement for Agricultural Products between Lithuania and Switzerland (as the annex to the valid free trade agreement between Lithuania and Switzerland) was signed and entered into force on 1 June 1995. Agriculture in these agreements is covered by HS 1-24 (excluding fish products). Under this agreement, the 20 per cent tariff reduction average from current Swiss import duty on MFN basis is applied to Lithuanian agricultural products.

Both the agreements with Switzerland (and Liechtenstein) currently apply. In the case of contradictions, the second agreement prevails.

A Trilateral Free Trade Agreement between Lithuania, Latvia and Estonia was signed on 13 September 1993, and entered into force on 1 April 1994. The Agreement covers industrial goods and provides zero tariff.

An agreement on agricultural products between Lithuania, Latvia and Estonia is on the preparation way (it will be also as an annex to trilateral FTA).

(d) Non-tariff measures, quotas and licensing system

Question 13

Can Lithuania confirm that Section (d), page 19 of its Memorandum describes the totality of Lithuania's non-tariff measures? Can Lithuania give an undertaking that any quantitative import restrictions which are not consistent with GATT Article XI will be eliminated on accession?

Reply

Lithuania applies quantitative restrictions on some additional goods but they can be justified under the GATT/WTO exceptions for human health or safety.

These restrictions (besides the measures mentioned in the Memorandum Chapter III, Part 1, Section (d)) apply in the areas of dangerous and military cargoes, clandestine cargoes, hunting and sporting firearms, ammunition, special devices, colour copying equipment, wild animals, trophies of hunting and fishing, narcotics, highly effective poisonous, radioelectronic and electric equipment, which emit radio waves in operation, etc. (importation of such specific goods is ruling under the Government Resolution No. 718 (19 May 1995) "On the Restriction of Import of Certain Things (Goods) to the Republic of Lithuania, their Export and Transit"). There are no other quantitative restrictions on imports (except some restrictions on sugar import - see below).

Lithuania at the moment does not apply import quotas. All the quotas which are mentioned in the answers are tariff quotas - see the answer to Question 14.

Since the Memorandum was prepared, Lithuania has decided that certain measures are necessary to protect producers of sugar beets and sugar products. Under the order provided in the Law on Sugar (27 April 1995) licences for sugar imports are necessary.

While protecting sugar manufacturers, the Government of Lithuania may approve threshold sugar prices taking into consideration the changes of retail sugar prices and to establish import quotas for sugar and semi-manufactured sugar products.

According to this Law, the processing industry is prohibited from the importation of semi-manufactured sugar products into the country until the time it has purchased sugar beets according to quantities set by the Government. In cases of natural calamities and poor crop the importation of

semi-manufactured sugar products shall be regulated by the Government (for information on that Law see the answer to Question 47).

Since the Memorandum was prepared, Lithuania, by the Law on Alcohol Control (18 April 1995) and its amendment (3 July 1995), has established the legal basis of the introduction of the right of a State monopoly to produce, sell and import alcohol products, noted in this law.

The general purpose of the law is to protect the health of Lithuanian citizens by reducing the level of alcohol consumption in general. The law prohibits selling domestic and imported products that contain unacceptably high levels of alcohol. The law also allows the Government to decide what number of import licences should be granted each year. The law also gives the Government the right to regulate the manufacture, import, trade and domestic consumption of liquids containing ethyl alcohol which may be imbibed as intoxicating drinks and food products, containing alcohol additives.

Under this Law on Alcohol Control there is prohibited to sell the following products in the Republic of Lithuania:

- (i) beer which contains more than 9.5 per cent ethyl alcohol by volume;
- (ii) wine which contains more than 22 per cent ethyl alcohol by volume;
- (iii) products of distilled ethyl alcohol which contain more than 50 per cent ethyl alcohol by volume.

Lithuania's Parliament also is considering a Law on Tobacco Control which might provide for restrictions on imports. At the moment the order of import of tobacco products requires appropriate licences.

Concerning the other products for which a licence for importation to Lithuania is necessary see the answer to Question 52.

Lithuania upon the accession will be prepared to adhere to the WTO obligations relating to quantitative restrictions.

Question 14

How are the "quotas" referred to in section (d), page 19, different from the "tariff quotas" mentioned in section (b)? What is meant by tariff quotas in this instance? Would the Lithuanian authorities please provide details on the operation of the tariff quotas?

Reply

In sections 1(b) and 1(d) of Chapter III of the Lithuanian Memorandum on the Foreign Trade Régime a uniform notion "tariff quotas" shall be used (according the Government Resolution No. 281, 28 February 1995).

As provided under the Government Resolution No. 653 (8 May 1995), implementing the Law on State Regulation of Economic Relations in Agriculture (22 December 1994), Lithuania uses tariff quotas to implement its free trade agreements and to provide for temporary import of certain products for short supply or other reasons exist. In regard to free trade agreements, the tariff quotas allow imports from the EU (or other free trade partners) within set quantities to be assessed less than the MFN tariff, including in some cases a zero tariff. These tariff quotas are intended as a temporary measure leading to fully liberalized trade. In regard to short supply and other problems, Lithuania applies import tariffs under MFN rates and within the quota for a time to be determined by the Government.

Under the Resolution No. 281, of 28 February 1995 and later amendments, these goods are free from customs duty imported in quantities authorized by the Ministry of Agriculture:

- pure-bred breeding animals (codes according to the EEC Harmonized Commodity Description and Coding System - 0101.11, 0102.10, 0103.10, 0104.10.10, 0104.20.10);
- pure-bred breeding poultry (0105.11, 0105.19.10, 0105.19.90);
- other live pure-bred breeding animals (0106.00.10, 0106.00.90);
- meat of bovine animals, meat of swine (0201, 0202, 0203);
- pure-bred breeding fish (0301.91-0301.99.19);
- butter (0405);
- pure-bred breeding birds' eggs for hatching (0407.00.11, 0407.00.19);
- semen of stallions, boars, ram, he-goats, embryo of bovine animals (0511.99.50, 0511.99.80);
- potatoes (0701);
- cereals (10);
- wheat flour (1101);
- compound feed (1104, 1214.90.91, 1214.90.99);
- malt not roasted (1107.10);
- fats of bovine animals, sheep or goats (1502);
- raw sugar for refining (1701.11.10-1701.12.90);
- sugar for special purpose (1701.91, 1702.30, 1702.40, 1702.90) (and Ministry of Health Care);
- sugar (1701.99);
- alcoholic beverages and their raw materials in containers for industrial processing (2204.29, 2204.30, 2205.90, 2206.00.81, 2206.00.89, 2207, 2208.10, 2208.20.40, 2208.20.62, 2208.90.35, 2208.90.38, 2208.90.71-2208.90.79, 2208.90.99);
- irregular transparent glass bottles (7010.90.41-7010.90.47).

Goods free from customs duty imported in quantities authorized by the Ministry of Industry and Trade: spirits for technical uses (2207.10).

Goods free from customs duty imported in quantities authorized by the Ministry of Transport: special furniture for ships (9401, 9403).

Majority of tariff quotas are granted by way of competition.

Question 15

What is the purpose of the annual levy paid by importers of alcoholic beverages? (section (d), page 19)

Reply

This charge has been introduced in connection with import licensing for alcohol and alcoholic beverages. The purpose behind the import licensing is to control the selection of importers of alcoholic drinks to avoid the import of counterfeited and non-quality products which would endanger human life or health.

Question 16

Please provide a list of agricultural goods (with H.S. codes) for which import quotas and licences apply. How are these administered? What are the levels of imports under quota and how are the quotas established? Please explain why live pure-bred animals are subject to these quotas.

Reply

Import quotas are not applied in Lithuania (about some restrictions on sugar import see the answer to Question 13). All quotas mentioned in the answers are tariff quotas (see the answer to Question 14).

Concerning the licences see the answer to Question 13.

Question 17

How does Lithuania plan to adjust its policy of quantitative restrictions in light of WTO requirements under the Agreement on Agriculture (Article 4.2)?

Reply

At the moment there are no quantitative restrictions (except some restrictions on sugar - see the answer to Question 13) on import to Lithuania.

There are some export prohibitions as a temporary measure till 1 May 1996 (see the answer to Question 34).

In 1994, Lithuania committed itself for IMF to abolish existing quantity restrictions and not introduce new restrictions.

(g) Customs formalities

Question 18

Does Lithuania apply quality control procedures at the frontier?

Reply

Lithuania applies sanitary, phytosanitary and veterinary control procedures at the frontier (control of documents, taking of samples, etc.).

Under the Government Resolution No. 35 (9 January 1995) "On the Approval of the Order of Foodstuffs Import into the Republic of Lithuania and their Quality Control", foodstuffs must be imported through those border crossing points where frontier foodstuff control service is available. The submitted certificates shall contain the indicators of quality and verification that imports are not hazardous to health.

(h) Standards and certification

Question 19

What international and European standards does Lithuania apply in connection with its new certification regulations?

Reply

The basis of the Lithuania certification system consist of normative documents prepared according to relevant International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) guides and standards in developed countries.

Question 20

Will the mechanism for drafting, adopting and enforcing technical regulations include a process whereby interested parties including foreigners will be allowed to comment before the issuing and approving of technical regulations?

Reply

Although currently Lithuania does not provide the possibility for foreigners to comment on proposed technical regulations, Lithuania understands the requirements of the WTO Agreement on Technical Barriers to Trade and intends to draft provisions which would allow foreigners to comment on technical regulations when they are not consistent with international norms.

Question 21

What mechanisms will be used to ensure that new regulations will conform with international standards? For example, will Lithuanian representatives participate in international standards development fora?

Reply

Lithuanian representatives intend to participate in international standards development fora as the national budget permits. Currently, Lithuania is a member of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the International Organization for Legal Metrology (OIML) and the European Organization for Standardization (CEN). In addition, the basic guidelines for developing standards in Lithuania foresees that Lithuanian technical regulations will conform with international standards.

Question 22

Is there a plan for the development of a voluntary standards system in Lithuania and are there any details available on its proposed structure (ie: in areas where standards are not compulsory)?

Reply

Lithuania has been developing a system of voluntary standards since 1992. These standards are developed and approximated to ISO/IEC or standards, that are widely accepted internationally, by 30 technical committees established by the Lithuanian Standardization Office and reporting to it. The committees cover the areas of separate branches of industry. The committees seek advice from all interested parties, including producers, consumers, and authority institutions.

Question 23

Can foreign producers of construction materials obtain certificates of quality from the Ministry of Construction and Urban Development?

Reply

Construction materials must be certified and must be submitted to testing centres and laboratories for verifying. Testing centres and laboratories issue certificates of quality to foreign producers; they also recognize corresponding documents (corresponding certificates) from foreign countries' analogical institutions.

Question 24

Which department is responsible for certifying electrical appliances for safety and for recognizing safety certificates of others countries?

Reply

According to the Government Resolution No. 474 "On Mandatory Certification of Electrical Household Appliances" of 22 June 1992, the Certification Centre for Electrical Appliances was given this responsibility.

Question 25

Can a foreign manufacturer receive prior approval from the State Inspection of Electrical Appliances for exporting radio electronic equipment and electrical appliances to Lithuania?

Reply

Permission for producing or importing radioelectronic apparatus and electric equipment can be issued if a sample of apparatus or equipment is approved (or verified) by the State Inspection of Electrical Appliances or if the exporter can provide a corresponding certificate recognized by this institution.

Question 26

Can importers of motor fuel submit certificates of quality from a foreign source or laboratory indicating the percentage of lead?

Reply

Yes. Starting on 1 January 1995, oil products can be imported into Lithuania with certificates issued in the country of production. Such certificates have to correspond to mandatory quality indicators approved by Lithuanian Standardization Office.

Question 27

Are there other laws regulating the sale of goods in Lithuania such as labelling (of packaged consumer goods, food, textiles), weights and measures, packaging, vehicle safety, the sale pharmaceutical products and medical devices, etc?

Reply

The rules of marking of goods were established by order No. 42/25/107 on 23 February 1995, of the Ministry of Industry and Trade, Lithuanian Standardization Office and Ministry of Health "On

Mandatory Properties of Marking of Goods Produced in and Imported to the Republic of Lithuania and Establishing of Order".

The order of verification of certain imported goods is established by the Government Resolution No. 53/89 of 31 August 1994, of Chief State Doctor Hygienist of the Republic of Lithuania and Lithuanian Standardization Office "On Confirmation of Some Imported Non-food Goods Harmless to Health".

Provisions on vehicle safety are provided by the Government Resolution No. 883 (29 November 1993) "On the Approval of Traffic Rules". Every imported vehicle mean must be examined according the technical inspection requirements of that Resolution.

All pharmaceutical products have to be registered before selling. Selling of unregistered pharmaceutical products is regulated by the decrees of Ministry of Health Care.

Question 28

Which government agencies are responsible for giving permission for importing different types of specific products?

Reply

The Ministry of Environment Protection controls the import, transport, export and usage of chemical and radioactive materials and microorganisms.

The Agency of Transportation of the Ministry of Defence controls the transit of dangerous (1-9 class of dangerous) and military loads.

The State Inspection on Atomic Energetic Prevention and the Customs Department controls the import of strategic goods besides those mentioned already. The Parliament is now considering a new draft Law on the Control of Import, Transit and Export of Strategic Goods and Technologies.

(i) Sanitary and phytosanitary measures

Question 29

Does Lithuania participate in international standard-setting organizations such as the Office International des Epizooties (OIE), Codex Alimentarius Commission and International Plant Protection Convention (IPPC)? As the WTO SPS Agreement identifies these organizations as relevant international standards-setting bodies, it would be useful to determine if Lithuania follows or intends to follow the guidelines/standards developed by these international organizations.

Reply

In 1992 the membership in International des Epizooties (OIE) was renewed (see the answer to Question 31.4).

Lithuania is following the requirements of Codex Alimentarius Commission and European Plant Protection Organization (EPPO) - see the answers to Question 31.8.3, 31.8.4 and Question 32).

Question 30

What are the procedures for drafting, adopting and enforcing sanitary and phytosanitary measures?

Reply

The Ministry of Agriculture, the Ministry of Forestry and the Ministry of Environmental Protection coordinate the drafting of phytosanitary measures with other appropriate institutions. Phytosanitary measures must be approved by the Government and they are mandatory.

Under the Law on Veterinary (17 December 1991) the State Veterinary Agency issues sanitary measures which are mandatory in the territory of Lithuania. Sometimes this involves coordination with other agencies.

Question 31

Additional information pertaining to the Lithuanian regulatory process and regulations would also be useful. Specifically, could Lithuania please provide additional information on the following regulatory areas:

Seeds Standards and Inspection
Feeds Standards and Inspection
Fertilizers Standards and Inspection
Animal Health/Animal Disease
Plant Health/Plant Protection
Pesticides and Pest Control Product Standards
Plant Breeders Rights
Food Standards and Inspection

- **Meat (Hygiene and Grading) Inspection**
- **Horticulture Inspection, Dairy Inspection**
- **Egg and Egg Product Inspection**
- **Additives and Contaminants Standards**
- **Packaging and Labelling Standards**

Reply

31.1 Seeds Standards and Inspection.

Formerly, seeds inspection and estimation was done according to the GOST system (the standards of the former USSR). Now, the Lithuanian Standardization Office prepares and approves new seed standards which are close to international standards. All national standards make reference to the application of international norms.

On 1 January 1993, the Laboratory of State Seed Inspection became a member of the International Seed Testing Association (ISTA) member. From 17 June 1994, this laboratory was granted unconditional authorization to issue ISTA certificates. This means that the Laboratory of State Seed Inspection researches and estimates, according to ISTA rules, the quality of imported and exported seeds.

Domestic inspection and control is performed by the State Seed Inspection Service. According to its methods, district-level seed inspectorates carry out seed quality estimation and seed crops inspection.

31.2 Feeds Standards and Inspection.

The State Veterinary Agency has the authority to inspect and control feed production. Tests are performed according to Lithuanian, GOST (standards of the former USSR) and international standards.

31.3 Fertilizers Standards and Inspection.

Fertilizers are inspected by the State Quality Inspection Service which is under the authority of the State Office of Competition and Consumer Protection. Fertilizers are produced and transported according to GOST standards (the standards of the former USSR).

31.4 Animal Health/Animal Disease.

According to the Law on Veterinary (17 December 1995), the State Veterinary Agency has the right to issue instructions for the control of contagious animal diseases which are obligatory within Lithuania. These instructions were prepared according to the principles of the World Organization for Animal Health (OIE - Office International des Epizooties) and adequate documents provided by other countries.

In this connection the State Veterinary Agency is carrying out the veterinary supervision and control of all cattle-breeding processes. Every year the measures planned for controlling of animal health have been approved. The monitoring of the control of diseases listed in the Office International des Epizooties (OIE) is carried out. For controlling of separate diseases the instructions of diseases liquidation and prophylactic measures are approved. Such activity is financed by the State budget.

31.5 Plant Health/Plant Protection

The State Plant Protection Station has responsibility for plant protection issues. There are 8 stations for inspection which are connected with existing institutions of agriculture science. The specialists from such stations supervise the state of all crops, inform about pests and diseases, and indicate what proper measures must be used.

A draft Law on Plant Protection and Seed Growing currently is under consideration by the Seimas (Parliament).

31.6 Pesticides and Pest Control Product Standards

Pesticides are not produced in Lithuania; only their registration is carried out.

A draft Law on Plant Protection and Seed Growing, currently under consideration by the Seimas (Parliament), will provide procedures for registration, production, import and trade of chemical and biological plants, and substances which regulate plant growth.

Tests on biological efficacy are carried out concerning the registration of new plant protection measures. Such tests are fulfilled by the Lithuanian Agricultural Institute, Lithuanian Agricultural Academy, Lithuanian Forestry Institute, Lithuanian Horticulture and Market-Gardening Institution.

31.7 Plant Breeders Right

A draft Law on Plant Protection and Seed Growing is currently under consideration by the Seimas (Parliament). The Law will provide rights and obligations for foreign plant breeders as well as for domestic natural and legal persons engaged in seed growing. The draft provides that importation of seeds and plantings can take place if on an approved list of those which are appropriate for Lithuanian soils and conditions.

Lithuania is not a member of the International Union for the Protection of New Varieties Plants (UPOV). Therefore, currently, the legal protection of plants varieties created by foreign plants breeders and seed growing firms is ensured by treaties between breeders and growers.

31.8 Food Standards and Inspection.

31.8.1. Meat (Hygiene and Grading) Inspection. Dairy Inspection. Egg and Egg Product Inspection.

The Lithuanian Standards Committee has been given the authority to prepare and approve standards for milk, meat and other food products. Technical regulations or GOST (former USSR) standards are in force for every food product in Lithuania.

International standards are used for production of food products.

According to the Law on Veterinary, the State Veterinary Agency has responsibility for performing animal health checks at farms for controlled (meat, milk, eggs, fish) products.

Control of the processing of food products is performed by the Human Health and Quality Inspection, under the responsibility of the State Veterinary Agency.

31.8.2. Horticulture inspection.

The development of Lithuanian horticulture is provided by the Ministry of Agriculture, together with the Institute of Horticulture and Market-Gardening.

In the internal market, Lithuanian standards are applied for the sale of fruits and berries.

The use of pesticides in gardens and berry-fields is controlled by the State Station on Plant Protection under the established rules of use of chemical plant protection measures. Quarantine inspection of fruit-trees and berry-fields is carried out by the State Plant Quarantine Inspection.

The National Veterinary Laboratory has responsibility for ascertaining whether the level of pesticides and other unhealthy materials for fruits and berries is within EU norms.

31.8.3. Additives and Contaminants Standards

Requirements for additives allowed to be used in the production of foodstuffs conforms to the practice of the European Union.

Requirements for contaminants are established under the regulations of Codex Alimentarius.

31.8.4. Packaging and Labelling Standards

Currently, GOST (former USSR) standards and rules established by the Lithuanian Standardization Office are used for foodstuffs packaging.

Labelling of foodstuffs is carried out according to GOST or international standards approved by the Lithuanian Standardization Office.

Under the Law on Alcohol Control (18 April 1995 - for information on this Law see the answers to Questions 13 and 58) it shall be prohibited to sell in Lithuania alcoholic beverages, both imported and manufactured in Lithuania, the marking whereof does not correspond to the requirements of the Codex Alimentarius.

Question 32

Could Lithuania please provide more information on its application of European Standards to demonstrate that the terms of the SPS Agreement of the WTO accord will be met? Which government agency is responsible for the enforcement of SPS measures?

(Can Lithuania confirm that it will bring its various sanitary and phytosanitary measures into conformity with the Agreement on Sanitary and Phytosanitary Measures?)

Reply

Lithuania is working to conform its sanitary and phytosanitary measures with the requirements of the WTO.

The Ministry of Agriculture (the State Plant Quarantine Inspection Service) is responsible for the application of phytosanitary measures. The export, import and transit through Lithuania of plant origin products is regulated by the Government Resolution No. 599 (3 August 1993). The main requirements of that resolution are:

- (i) all plant origin products have to be examined and must carry phytosanitary certificates;
- (ii) the form and content of phytosanitary certificates are modelled on European countries. Certificates must contain the four figure codes of the imported goods according to the HS nomenclature. If necessary it is possible to pass to the full scheme of codification;
- (iii) quarantine permission is necessary to import some plant origin products into Lithuania;
- (iv) the import of plant origin products to Lithuania is prohibited for those goods which are infected with dangerous vegetable pests, pathogens or weeds, which cannot be effectively fought. In Lithuania there are approved lists of objects under quarantine which conform to EPPO (European Plant Protection Organization) guidelines.

The State Veterinary Agency is responsible for veterinary-sanitary measures which apply to cattle-breeding.

The National Veterinary Laboratory is accredited to carry out bacteriological, virusological, serological, chemical-toxicological and other research. This research is carried out according to EU methods and practice.

(j) Other

Question 33

Does Lithuania intend to enact antidumping or countervailing duties and/or measures related to trade remedies or safeguards in the future, and if so, when?

Reply

Lithuania intends to maintain the ability to apply anti-dumping duties, countervailing duties or safeguard measures as set out under the relevant WTO agreements.

2. Export regulation

(a) Customs tariff nomenclature, types of duties, customs tariff structure on main customs tariff groupings

Question 34

Does Lithuania currently apply export duties? If so please specify on which products (by HS groupings) the export duties are levied?

(Were export duties abolished at the beginning of 1995 as intended?)

Reply

Export duties were abolished by the Government Resolution No. 985 (14 October 1994).

However, Lithuania has enacted some export restrictions and prohibitions under the Government Resolution No. 281 "On Partial Amendments to Resolution No. 985 "On Procedure of Export and Import Regulation in the Republic of Lithuania" adopted by the Government of the Republic of Lithuania on 14 October 1994". The amendment provides for export prohibitions until 1 May 1996 of:

- seeds of red clover (codes according to the EEC Harmonized Commodity Description and Coding System - 1209.22.10),
- feathers and down used for stuffing (0505.10),
- raw hides and skins (4101-4103),
- unprocessed pine and birch timber which thin end across diameter not less than 20 cm, unprocessed oak and ash timber (4403.20.00.1, 4403.99.80.2, 4403.91, 4403.99.80.1),
- glands and other organs used for pharmaceutical products and organo-therapeutical uses without quotas issued by the Ministry of Health Care (0206.29.10.1, 0206.29.99.1, 0510.00.10.1, 0510.00.10.3, 3001.10.90-3001.90.91).

The export of certain copper and aluminium remelted into balls, its alloys scrap and waste (codes according to the EEC Harmonized Commodity Description and Coding System - 74.04, 76.02) is temporarily discontinued (the reason is indicated in the answer to Question 36).

Question 35

Lithuania states that: "Export tariffs are only imposed on certain raw materials having importance for Lithuanian industry. These tariffs are only applied as a transitional measure." When will these export tariffs be lifted? Are these measures entrenched in law?

Reply

The imposing of import and export duties is legalized by the Customs Tariff Law of the Republic of Lithuania, passed on 27 April 1993.

All export duties have been removed. But there are some restrictions and prohibitions - see the answer to Question 36.

(b) Export restrictions and prohibitions

Question 36

Specify which products are covered by export licensing system and, if so, for what reasons?

Reply

Under the Government Resolution No. 1094 (8 November 1994) "On the Strengthening of Export Control of Alcoholic Beverages, Tobacco Products and Sugar" and the Government Resolution No. 806 (8 June 1995), the export of ethyl spirit without the licence of the Government is prohibited. The purpose of the export licensing is to control the selection of exporters of ethyl spirit to avoid ostensible export when the appropriate taxes are avoided and therefore counterfeit alcohol beverages, which would endanger human life and health, are produced. For the same reason, the export of alcoholic beverages and mineral fuel is more strictly controlled.

Lithuania also requires licences for the export of copper and other non-ferrous metals, alloys, scrap and waste thereof (codes according to the EEC Harmonized Commodity Description and Coding System - 74.01-81.12), purchased in Lithuania (this does not apply to the re-export of such metals). The licences are necessary to prevent illegal purchasing, remelting and export of copper and other non-ferrous metals, etc. Some exceptions exist concerning export for remelting or processing.

Licences also are required for the export of waste and scrap of the ferrous metals (for the same reasons as for the export of non-ferrous metals).

Concerning the other licensed exports see the answer to Question 52.

The export of wheat, rye and fodder cereals can be carried out only with quotas granted by the Ministry of Agriculture (as a temporary measure of 1995).

CHAPTER IV. OTHER POLICIES AFFECTING FOREIGN TRADE

1. Industrial policy

Question 37

Can Lithuania provide more detail on how it will protect and support industry as outlined in Lithuania's industrial policy on pages 23 and 24 of its Memorandum? In particular how long does Lithuania anticipate the "transition" period to last?

Reply

During Lithuania's transition to a market economy, Lithuania is continuing to promote the development of certain industrial sectors:

- wood processing industry;
- flax industry;
- processing of natural skins and furs;
- production of construction materials;
- production of agricultural machinery;
- energy extraction from non-traditional sources;
- usage of natural extracted from the earth;
- processing and utilization of waste;
- production of medicines and medical equipments, etc.

Lithuania does not grant direct subsidies to promote specific industries. Instead, it has implemented measures to improve the legal and economic environment for the restructuring of old and the creation of new enterprises, building upon laws and regulations already in force. Specifically, Lithuania provides Government's financial guarantees for enterprises that receive short-term credits from banks; allows these enterprises short-term exemptions from paying taxes; channels foreign technical assistance to appropriate recipients; and provides these enterprises with Government's financial guarantees. Foreign technical assistance is received in the areas of strategic planning, attracting foreign partners, restructuring and, if necessary, sale for convertible currency, and improving management in general.

Otherwise, Lithuania does not plan to provide any other assistance or protection to its industrial sector apart from tariff protection indicated in the Lithuanian national tariff schedule.

Lithuania estimates that it will take approximately six years to restructure the industrial sector.

Question 38

What are the criteria used for selecting 'potentially competitive' companies? What measures is the Lithuanian Government taking to safeguard these companies against bankruptcy?

Reply

Lithuania chooses these enterprises based on their ability to compete in the domestic and world markets.

In selecting potentially competitive enterprises, criteria such as share of exports in the total production of the enterprise considered are used.

These companies benefit from the treatment as explained in the answer to Question 37.

2. Agricultural policy

Question 39

Please elaborate on the privatization process as it affects agriculture. To what extent has the food processing industry been privatized? Please provide an explanation of internal support measures and legislation, including preferential tax rates for State and/or domestic corporations.

Reply

Privatization of the agricultural sector is divided into three groups:

- privatization of land;
- privatization of collective and soviet farms;
- privatization of food processing industry enterprises.

Privatization of land was divided into three groups:

- land restoration to former owners;
- land lots for construction - obtaining is carried out by the competition way;
- land of collective gardens.

The land which is planned to be privatized amounts to 3.5 ha (land in country-side amounts to 4.5 ha). The State will be the owner of the remaining part of the land - it is mainly forests, State farms (see below), land for science needs and land which contains natural resources. At the moment, 15 per cent of land is privatized which is in the privatization plan.

For the most part, privatization of collective and soviet farms was finished in 1993. They were transformed into:

- agricultural partnerships (joint-stock companies)(to 300 ha);
- private (family) farms (to 10 ha);
- and privatized household plots (2-3 ha).

A few State farms remain as stud-farms, seed growing farms, testing stations, etc.

One main problem associated with the agricultural joint-stock companies is that legal persons do not currently have the right to own land, only the State and natural persons have this right.

The main problem of private (family) farms is that after property restoration, the majority of owners have to begin their activity from scratch - they have no machinery, appropriate buildings, etc.

The impact on the third group - privatized household plots - was the smallest. People here only have a legal right to land property.

Privatization in agriculture has arisen number of problems such as division of land, scattering of main assets and inherited technical base which was not adapted for use in small farms.

Food processing enterprises mainly were privatized according to the Law on Initial Privatization (28 February 1991) by shares subscription. Producers (farmers) of agricultural products were granted

the right to buy, on favourable terms, 50 per cent of value of initial capital shares of dairy, meat and grain enterprises and sugar factories with the purpose of compensation of production expenditures for producers (farmers) and encouragement of their cooperation.

Most enterprises have been almost entirely privatized (approximately to a level of 89 per cent of their initial capital value). Under the Government's established order the possibility to buy all shares, belonging to the State, were granted to shareholders and workers of such enterprises where after the privatization shares belonged to State were left more than 20 per cent.

It has been decided that alcohol industry enterprises can be privatized up to 20 per cent of initial capital value.

Question 40

Reference is made to the "National Agriculture Development Programme". Please explain what this is. Is this an umbrella organization for the Sowing Fund and the Farmers Supporting Fund?

(Can Lithuania provide more detail on the "National Agriculture Development Programme", the Sowing Fund and the Agriculture Support Fund?)

Reply

The National Agricultural Development Programme (NADP) was prepared with the purpose to satisfy population demand for high quality foodstuff; taking into consideration the economic juncture on the foreign markets, to increase the export of food industry production, to guarantee the farmer's income was not lower than the average; to develop farming activities taking into account ecological limitations and to revive and foster ethnocultural traditions.

The NADP fund amounts 332.5 million litas in the 1995 budget, and this is 74.6 per cent of the total agriculture budget and 8.7 per cent of the total State budget.

The largest amount from the NADP is allotted to subsidizing (see the answer to Question 45). The other areas which can be maintained by the fund of NADP: forming of soft-credit sources; implementation of programmes on farmers' settlement and infrastructure development; buying of thoroughbred material of productive plants, animals and poultry; financing of the stock-breeding programme; agriculture science research, consultation and training; support to agricultural companies suffered from fires; financing of sour soils liming; etc.

Due to changes of economic relations, according to the decision of the Government, the NADP will be defined more exactly before 1 July 1996. Lithuania will provide updates as appropriate on how its Programme is evolving.

The Agriculture Support Fund for 1995 (263 million litas) was established from the former various types funds of 1993 and 1994. This fund was formed from the following sources:

- means from the State budget of 1995 year assigned for financing of National Agriculture Development Programme (55 million litas);
- means from the State budget of 1994 year assigned for financing of National Agriculture Development Programme (19 million litas);

- loans took from enterprises purchasing agricultural products, legal and natural persons for centralized buying of material resources and selling them for producers of agricultural products on favourable terms (55 million litas);
- preferential loans for returning which were taken by entities from the Sowing Fund of spring of 1993 year (50 million litas);
- preferential loans for returning which were taken by entities in 1993 for purchasing of grains (50 million litas);
- credits assigned as a State support for agriculture suffered from drought (10 million litas);
- credits assigned for purchasing of agricultural products in 1994 year (23.9 million litas);
- and others sources.

The Sowing Fund for spring of 1993 year was formed temporarily from the means assigned to National Agriculture Development Programme. It no longer exists.

A new Farmers' Support Fund was created on 22 June 1994, to provide general support to the improvement of the infrastructure for agricultural production and to fund long- and short-term loans to farmers. This year, Lithuania is planning to assign 50 million litas to that Fund. In regard to infrastructure improvements, the Fund finances the electrification of farmsteads, the creation of a communication system, road building and maintenance, etc. In regard to loans, the Fund finances disability allowances for farmers suffered from fires, strong wind, downpours, frost and contagious diseases of animals; and compensates farmers for their interest payments for loans taken out from commercial banks.

Question 41

How much direct support do these programmes and funds provide, how is such support allocated and what are its priorities?

Reply

As was said in the answer to Question 40, the Agriculture Support Fund was formed from the former various types funds of 1993 and 1994.

The means of that fund are used:

- for preferential loans for producers (farmers) of agricultural products;
- enterprises purchasing agricultural products and agricultural services enterprises;
- legal and natural persons able to buy on centralized way the material resources and sell them for producers of agricultural products on favourable terms;
- cooperation development in agriculture;
- support to agricultural companies suffered from fires;
- others needs provided by the Government.

Commissions formed by the heads of districts assign loans from this Fund taking into consideration the farmers' needs to obtain seeds, fertilizers, chemicals and other value and services, which in separate areas of Lithuania are different.

Question 42

Under the Sowing Fund, farmers "get preferential credits and obtain cheaper necessary material resources." Please describe these preferential credits. How are the material resources provided?

Reply

The Sowing Fund (as was said in the answer to Question 40) was a provisional measure and is no longer used. If a budget allocation is available it may be renewed in future.

Concerning support for farmers, see the answers to Questions 40 and 41.

Question 43

Does Lithuania intend phasing these programmes out, particularly the Sowing Fund and the Agriculture Support Fund?

Reply

See the answer to Question 42 (about Sowing Fund) and the answer to Question 48.

Question 44

Please provide sufficient explanation of these policies so that they may be appropriately categorized under the Agreement on Agriculture (e.g., Aggregate Measure of Support or "Green box").

Reply

See the answers to Questions 40 and 41.

Lithuania will be working to produce a draft schedule on agriculture which will eventually be submitted for WTO members' consideration.

Question 45

"Starting from 1994, the Ministry of Agriculture sets procurement quotas and minimum purchase prices for the major kinds of agricultural products." Please provide a complete list of these products, and details of these measures.

Reply

In response to the Law on State Regulation of Economic Relations in Agriculture (22 December 1994), the Government established some support measures for producing and trade on agricultural products.

Given the difficult economic and social situation in the agriculture sector, the Coordination and Regulation Council on Purchasing of Agricultural Products under the Government Resolution No. 230 (10 February 1995) "On the Subsidizing of Livestock Production in 1995" established (as a temporary measure in 1995) minimum marginal prices for the purchase of cattle and milk.

The producers (farmers) of agricultural products and processing enterprises between themselves are concluding special treaties on the minimum purchase price. Such measures are being used in the beef and milk sectors with the purpose of encouraging beef production of higher quality and to reduce the milk overproduction in the summer season.

In this connection, there are established subsidies applied to farmers for purchased production on minimum purchase prices. That subsidies (110 million litas) are paid from the fund of the National Agricultural Development Programme (see the answer to Question 40). Actual expenditures on the cattle and dairy subsidies could be less than the designated amount but cannot exceed 110 million litas in this budget year.

On 1 July 1995, the Government introduced subsidies for cattle in the total amount of 10 million litas to pay for storage and to improve marketing possibilities for pork. Funds are supposed to come from the National Agricultural Development Programme, bringing the previous amount to total subsidy fund of 120 million litas.

The total subsidy fund of 120 million litas is divided in the following manner:

Cattle subsidies	60 million litas
Dairy subsidies	50 million litas
Farmers	21 million litas
Processors	29 million litas
Pork subsidies	10 million litas

Subsidies are paid to farmers through the processors in order to reduce paperwork that would be involved in dealing with individual farmers. Processors can receive and pay subsidies to their farm suppliers provided that they pay to farm suppliers at least the minimum purchase prices specified by the above-mentioned special treaties (applied to beef and dairy).

The subsidy paid for the higher grades of cattle slaughtered is for a quota of 85,000 mt. Under the current implementation mechanism the subsidy will not be paid on any production above the quota.

The subsidy being paid for milk producers is for a quota of 700,000 mt, which is the estimated production for the high production period of 1 May to 1 October 1995. Unlike for cattle, the subsidy is paid on all production, not only on the highest quality.

The dairy programme also has storage and marketing subsidies for processors. The purpose of this programme is to encourage processors to store butter and canned milk produced during the high production season (May to October) for up to six months and fermented cheese for up to 1.5 months so that it can be marketed later at a higher price. The quota amounts for both storage and marketing subsidies are 4,500 mt for cheese, 12,000 mt for butter and 12 million conventional tins for canned milk.

Arrangements for pork subsidies are still to be worked out by the Ministry of Agriculture. Depending on the availability of funds in the National Agricultural Development Programme subsidies may be introduced for some crops in the fall.

For 1996, the procurement quotas are provided for: grains, flax, sugar beets, rapeseed, cattle, swine and milk. In addition, Lithuania plans to support the storage of surplus of foodstuff for use during the winter, but it is hard to say what kind of support for agricultural will be implemented in the next year, since it depends on the revenues of the State budget and the availability of funds for agricultural programmes. So far, the Law on State Regulation of Economic Relations in Agriculture (22 December 1994), states that not less than 10 per cent of the budget expenditure has to be allocated to support agriculture in Lithuania. However, this Law does not indicate clearly how fund should be allocated for specific purposes or programmes and covers all types of support provided through agricultural and rural developments schemes.

Question 46

What procurement quotas and price support mechanisms are in place and for which products? How do they operate? Does Lithuania intend phasing out the procurement quotas and price support mechanisms on accession to the WTO? If so, how does it intend doing so?

Reply

Concerning products for which the procurements quotas are set and price support see the answer to Question 45.

Subsidies are paid for agricultural products purchased under procurement quotas in order to prevent increases in prices for consumers. For separate products (grains, sugar beets) soft credits are granted for purchases under the procurement quotas.

Concerning the applying of such measures in the future, see the answer to Question 48.

Question 47

What types (and levels) of indirect support are applied (including exemptions or reductions of land tax and land rent tax)?

Reply

At the moment the following kinds of indirect support are applied:

The State supports the production of agricultural products by financing from the budget land-reclamation works, liming of sour soils, road building, the activity's rearrangement of entities settled in the lands of low productivity and reduction of different farming economic conditions, agricultural science research, consultations and training.

There are applied such kind of tax privileges:

- the preferential VAT tariff of 9 per cent is applied for certain agricultural products and foodstuffs produced from them (for other production the 18 per cent VAT tariff is applied);
- the producers of agricultural products are exempted from the profit tax (enterprises must pay 24-29 per cent of profit tax);
- for farmers regaining land, the first three years are exempted from the land tax.

The Law on Sugar was adopted on 27 April 1995, regarding the normalizing the relations between sugar beet producers, processors, sugar market participants and State institutions. According to this Law, the Government shall support the development of the domestic sugar raw material production and processing industry and guarantee and protect domestic sugar supply.

Upon founding a sugar manufacturers' association, the sanctions of the Law on Competition (15 September 1992), which are established for dominant market entities, shall not be applied.

Under the Law on Sugar (27 April 1995) sugar beet processors shall be granted seasonal soft credits which allow to pay for not less than 40 per cent of sugar beets purchased according to quantities set by the Government (for information on that Law see the answer to Question 13).

Question 48

Does Lithuania plan to adjust all mentioned policies in light of WTO requirements? If so, how?

Reply

The Government of the Republic of Lithuania provides to reorganize the agricultural sector in such a way that it would become as efficient as possible. The Government is seeking to create a support system which would encourage the efficient production of agricultural products.

No detailed plan has yet been prepared for the transition from soft credits and subsidies applied by means of minimum purchase prices to a direct support system. Some more time is necessary for the preparation and adoption of such a plan. Its exact form will depend upon circumstances in agriculture, farmers' needs and on the Government's financial abilities.

At the moment, Lithuanian agriculture finds itself particularly in a very difficult state. The Government therefore needs, as much as possible, to soften the negative social consequences in the country-side. Lithuania's ability to reduce support to agriculture now is therefore limited. However, Lithuania is ready to accept obligations similar to those accepted by comparable WTO members.

3. Financial, budgetary and fiscal policy

Monetary policy and the banking system

Question 49

What is the present State share in the capital of commercial banks? Exactly when will the State's share be reduced, as proposed, to 20 per cent or less?

Reply

With the exception of three banks, the State share in the capital of commercial banks represents 10.3 per cent of the voting share stock, which has already surpassed the original target of 20 per cent. For the three exceptions - Savings Bank of Lithuania, Agricultural Bank of Lithuania and State Commercial Bank of Lithuania - the State maintains 51 per cent of the voting stock in each of these.

Question 50

What are the conditions for obtaining a banking licence (licensing procedure, competent authorities, criteria applied, etc.)? Are there restrictions on the participation of foreign capital in national commercial banks?

Reply

Lithuania has submitted an English language copy of its new Law on Commercial Banks (21 December 1994). A summary of that law follows.

The Bank of Lithuania reviews all applications for licences to open commercial banks, whether submitted by Lithuanians or foreigners. A licence will be issued by the Board of the Bank of Lithuania if the applicant is able to prove that it:

- (i) has accumulated the minimum amount of fixed capital (at the moment it is 10 million litas);
- (ii) retains managers with the necessary qualifications, experience and reputation to run a bank;
- (iii) provides details on its business plan;
- (vi) provides information concerning the Bank's board and council; and other details specified in the Law.

The Bank of Lithuania issues its decision within two months of the date of receipt of the application unless it must request additional requirements on foreigners wishing to establish a commercial bank.

There are no restrictions on the participation of foreign capital in national commercial banks. However, foreign as well as domestic investors who intend to acquire 10 per cent or more of a particular bank's capital must first obtain the permission of the Bank of Lithuania.

5. Foreign and domestic investment policy

Question 51

Although trade-related investment measures (TRIMs) are mentioned on the cover page of document L/7551, further references to TRIMs and Lithuania's intentions regarding notifications and transition could not be found elsewhere in the document. Please provide information covering these matters.

Reply

The cover page of the Lithuanian Memorandum on the Foreign Trade Régime (L/7551) was prepared by the GATT Secretariat, and they probably had in mind Section 5 of Part IV of the Memorandum ("Foreign and domestic investment policy").

The provisions for investments are determined by the Law on Foreign Capital Investment in the Republic of Lithuania (13 June 1995) and other laws, or by international agreements to which the Republic of Lithuania is a party.

A Reply concerning TRIMs and Lithuania's intentions regarding notification is pending.

Question 52

What definition of foreign investment is being used in this section? What percentage of foreign ownership is allowed in the restricted sectors? Does Lithuania allow the unrestricted transfer of returns from foreign investments? If not, under what circumstances could such transfers be prevented or restricted (apart from profit taxes)?

Reply

According to the new Law on Foreign Capital Investments in the Republic of Lithuania (13 June 1995), the capital investment of foreign origin is the capital of foreign origin which belongs to foreign investors and is invested in the Republic of Lithuania. It may be:

- (i) monetary funds in freely convertible currency or in the national currency of Lithuania;
- (ii) the following property valued in freely convertible currency or national currency of Lithuania for forming or increasing the authorized capital:

- movable and immovable property,
- intellectual and industrial property.

Investment of capital of foreign origin shall be permitted in all spheres of economic-commercial activities with the exception of the spheres:

- (i) relating to security and defence of the State;
- (ii) manufacture or sale of narcotic substances, and other non-medicinal, poisonous substances that produce strong effect;
- (iii) growing, processing, and sale of cultures that contain narcotic and poisonous substances, or substances having strong effect;
- (iv) organizing of lotteries.

For carrying out licensed activities established by the Law on Amendments and Supplements of the Law on Enterprises (5 July 1955) a licence or permit by the Government or any other institution authorized by it, must be obtained.

This Law requires both domestic and foreign interests to obtain a licence to engage in the following activities:

- (i) prospecting of natural resources;
- (ii) the exploitation of natural resources;
- (iii) repair of sports and hunting firearms, weapons;
- (iv) pharmaceutical activity;
- (v) cultivation and sale of crops containing narcotic, highly effective or poisonous substances;
- (vi) production of alcohol products;
- (vii) import of alcohol products to Lithuania, wholesale and retail trade by alcohol products;
- (viii) providing of medical services, medical treatment and hygiene practices;
- (ix) veterinary practice;
- (x) lawyer practice, unless the laws provide otherwise;
- (xi) establishment of educational institutions, enterprises and institutions engaged in the healthiness activity;
- (xii) carrying out of geodetic and topographical works, publishing and printing of topographical plans and maps as well as cartographic charts;
- (xiii) activity by the international transportation, unless the laws provide otherwise;
- (xiv) production of tobacco products, import of tobacco products to Lithuania;
- (xv) purchasing and remelting of copper and other non-ferrous metals, its alloys, scrap and waste in Lithuania;
- (xvi) tourism services;
- (xvii) organizing of lotteries assigned for charity and support purposes;
- (xviii) purchasing of ferrous metals scrap and its waste in Lithuania;
- (xix) purchasing and processing of precious metals waste and scrap;
- (xx) providing of communication services using of common network of telecommunications lines and stations;
- (xxi) construction and exploitation of the installations radiating electromagnetic waves;
- (xxii) researching, preservation and restoration of immovable cultural values; preparation of the conditions, programmes and projects of such works; preservation and restoration of movable cultural values;
- (xxiii) projecting and construction of the State roads;
- (xxiv) manufacturing, import and export of the narcotics and highly effective and poisonous substances (which are not used for pharmaceutical purposes), wholesale and retail trade by its in Lithuania;
- (xxv) import of special foodstuff and food additives, wholesale trade by its in Lithuania;

- (xxvi) production of seals, stamps, hunting knives;
- (xxvii) establishment of the shooting-galleries and stands of hunting shooting;
- (xxviii) trade by the transport means on the commission bases; projecting, production, instillment, assembling and exploitation of the protective fire-signalling;
- (xxix) production, import, transportation, trade, usage, storage and burying of the chemical materials which can harmfully act the environment;
- (xxx) commercial activity related with the precious metals and jewels;
- (xxxi) mediation activity in the public turnover of stock exchange;
- (xxxii) stock exchange activity;
- (xxxiii) investment and reinvestment to securities and trade by its as a main activity; possession of the investments companies property, unless the laws provide otherwise;
- (xxxiv) import, export, wholesale and retail trade by the oil products; retail trade by the liquefied gas;
- (xxxv) energetic activity;
- (xxxvi) selling of sports and hunting firearms, ammunition, weapons, explosives and pyrotechnics;
- (xxxvii) inventory of the forests and preparation of the forestry projects;
- (xxxviii) export of raw wood;
- (xxxix) the forwarding agent services providing in the air and railway transport;
- (xxxx) ships tugging;
- (xxxxi) rescuing and underwater technical works;
- (xxxxii) locman services;
- (xxxxiii) manufacturing of the weapons, parts thereof, explosives and pyrotechnics;
- (xxxxiv) fulfilment of audit;
- (xxxxv) mediation services for a giving a job;
- (xxxxvi) import and production of biological plants protection measures and trade by its;
- (xxxxvii) real estate activity.

Only State enterprises and companies of special destination (stock and limited stock companies), which all shares belong to the State, have the right to engage in the following activities with the licences giving by the Government established order:

- (i) manufacturing of weapons, ammunition and explosives;
- (ii) production of securities, monetary signs and coins, post-stamps;
- (iii) transportation, usage or other activity related with radioactive, nuclear material and waste thereof.

Only State enterprises, local enterprises and companies of special destination have the right to engage in the following activities with the licences given by the Government established order:

- (i) production, import of the narcotic and highly effective and poisonous substances, wholesale trade by its;
- (ii) production of undenatured ethyl alcohol and alcohol beverages which contain more than 22 per cent of ethyl alcohol by volume (this right is given only to State enterprises unless the Law on Alcohol Control provides otherwise);
- (iii) treatment of patients ill with infectious diseases listed in the special list of Ministry of Health Care;
- (vi) treatment of animals ill with especially dangerous diseases;
- (v) post work (only the State enterprise "Lietuvos pastas");
- (vi) accepting and paying off of postal orders (only the State enterprises "Lietuvos pastas");
- (vii) production, import and realization of the highly effective substances which are not of medicinal destination.

Without the licence given by the Government established order for the enterprises which less than 50 per cent shares belong to State is prohibited:

- (i) to exploit railway, ports, airports and State roads;
- (ii) to exploit gas-pipes, pipelines, communication lines, electric transmission lines, heat network of State importance and to ensure technical functioning of such objects.

For credit and banking activities, a licence from the Lithuanian Bank is necessary.

The procedure for founding a foreign commercial bank or a commercial bank with foreign capital and the procedure for their operation shall be established by the Law on Commercial Banks (21 December 1994). See the answer to Question 50.

Profit, income, or dividends received in accordance with the Law on Foreign Capital Investments shall belong to foreign investors by the right of ownership. Foreign investors shall have the right, after having paid the taxes, to transfer the profit, income or dividends belonging to them by the right of ownership to a foreign country without any restrictions.

Foreign investors may also export their profit, income or dividends in the form of goods and services purchased on the domestic market, or reinvest the same into the economy of the Republic of Lithuania.

Question 53

Are there any restrictions with respect to the provision or supply of services by foreigners in Lithuania, either through commercial presence (i.e., investment) or with respect to individuals providing services?

Reply

See the answer to Question 1. Lithuania is in the process of establishing a legal regime for services. In addition, as described in the answer to Question 52, Lithuania requires business licences to engage in certain types of activities.

Question 54

Are the revenues and/or profits from foreign investments exempt from tax only when transferred abroad? If transferred, are they subject to profit tax?

Reply

Profit from foreign investment is subject to profit tax unless benefitting from an exemption described below.

Profits, dividends and other receipts of foreign investors which are transferred abroad are not subject to any additional taxation in Lithuania, but profit tax must be paid. It should be noted that the taxation conditions applied to foreign enterprises are not worse than those applied to the legal and natural persons of Lithuania.

Exemptions: If a foreign investor has acquired at least 30 per cent of the enterprise's authorized (ownership) capital or has invested foreign capital worth of at least US\$2 million, such enterprise shall

be exempt from profit (income) tax for three years from the moment the income is received. For the subsequent three years, the enterprise will have its profit (income) tax reduced by 50 per cent.

Question 55

Does Lithuania apply restrictions on foreign participation in the capital (minimum or maximum limit) of companies in certain sectors ("joint-ventures")?

Reply

The size of foreign capital is not restricted.

For the establishment of stock companies the minimal size of initial capital is 100 000 litas; for limited stock companies - 10 000 litas. In the case of the establishment of enterprise of specific destination the share of private capital cannot exceed 30 per cent. This condition is valid equally for domestic and foreign investors.

Question 56

Can foreign investors acquire property rights without restrictions or have they only the right to rent the land and building needed for their business activities?

Reply

Enterprises shall have the right to possess by the right of ownership, lease, or use in any other manner, the building necessary for carrying out its activities, as well as to take on lease land lots in accordance with the laws of Lithuania.

Under the Law on Foreign Capital Investment in the Republic of Lithuania (13 June 1995) land lots owned by the State may be leased to enterprises for up to 99 years. Private land lots may be leased according to the agreement between the parties.

The order of land leasing for foreigners, who have permission to live in Lithuania, and foreign legal persons, which have permission for foreign investment, is provided by the Government Resolution No. 391 (23 May 1994) "On the Approval of Order of the State Land Leasing for Non-Agriculture Activity for Foreign Legal and Natural Persons and Joint-ventures and Foreign Capital Enterprises".

6. Government procurement

Question 57

It is stated that a law on government procurement is to be prepared in 1994. Is a copy now available? Is the law yet in force? What are Lithuania's intentions regarding adherence to the Government Procurement Agreement?

Reply

Lithuania is continuing its work to draft a Law on Government Procurement which will be consistent with the requirements of the WTO Agreement on Government Procurement. Lithuania expects that this law will be adopted in 1995 or 1996.

In the meantime, Lithuania's government procurement is regulated by the Government Resolution No. 510, which has been in force since 12 April 1995.

According to this Resolution in carrying out government procurement, goods produced abroad are permitted to be purchased when enterprises registered in Lithuania do not produce such goods or produce them in insufficient quantities; when technical indices of demanded goods are lower than those of analogous goods produced abroad, or when prices of Lithuanian goods are higher than those of goods produced abroad. These regulations are also be applied to purchasing services.

7. State trading and State enterprises

Question 58

What was the share of State trading in total trade on 1 January 1995? What are the sectors concerned (including services)? Has the draft Law of Trade enabling the State to establish trade monopolies been approved by the Seimas? If so, what are the sectors affected?

Reply

As of January 1995, State trading accounted for 13.6 per cent of total retail commodity turnover. State trading is carried out in those trade enterprises which are not privatized yet, and includes trade in foodstuffs and industrial goods, public catering. The private and cooperative trade makes up the remaining part of the percentage.

The Law on Trade was adopted on 12 January 1995. Most of its provisions do not deal with specific obligations covered under the World Trade Organization. However, one provision would allow the Government to establish trade monopolies in all sectors - in "special cases on certain goods".

Based on the above-mentioned provision and the Law on Alcohol Control (18 April 1995), the Government of Lithuania may introduce a wholesale and retail trade monopoly of alcoholic beverages. The objective of that Law is to reduce alcohol consumption in general because of the damage it causes to human health, through the introduction of a State monopoly on alcohol manufacture, sale and trade.

This Law shall regulate relations in connection with the manufacture of alcohol and food products, with alcohol additives, and other products containing ethyl alcohol, their manufacture, internal trade, storage, import, export and use.

The right to manufacture undenatured ethyl alcohol as well as, alcoholic beverages, whose ethyl alcohol volume concentration exceeds 22 per cent, shall be granted only to State enterprises and enterprises of special destination. From 1 January 2001, this right shall be granted only to State enterprises. The conditions and order of the State monopoly of alcohol product manufacture shall be established by the laws and the Government's resolutions (for information on that Law see the answer to Question 13).

The Seimas (Parliament) is also considering a Law on Tobacco Control which would also provide certain State restrictions.

Related to the Question about the establishment of monopolies, according to the Law on Sugar (27 April 1995), the Government shall support the development of the domestic sugar raw material production and processing industry. Also, it should be noted that the sanctions of the Law on Competition (15 September 1992), which are established for dominant market entities, shall not be applied in

connection with the founding of a sugar manufacturers' association (for information on that Law see the answers to Questions 13 and 47).

Question 59

Would Lithuania provide information on the conditions under which it would establish State trade monopolies for specified groups of goods?

Reply

See answer to Question 58.

Question 60

Please list all State enterprises dealing with agriculture and food. For each of these, please provide the information required by the 1960 Questionnaire on State Trading (BISD, Ninth Supplement, pages 184-185, February 1961). Do any State enterprises owned, operated or controlled by Lithuania, or any other enterprises have exclusive or special privileges in trade, in the sense of GATT Article XVII? If so, please provide details.

Reply

Please, see the answer to Question 58. Lithuania will be prepared to provide a more official response to the 1960 Questionnaire on State trading once its legal regime has evolved further.

Concerning the rest of State shares in enterprises dealing with agriculture and food, see the answer to Question 39.

Also, except as specified in the answers to Questions 37 and 58, Lithuania does not provide for any special privileges or exceptions in trade for enterprises.

8. Subsidy policy

Question 61

Within the context of this section, how is subsidy defined (e.g. in the WTO Subsidies Agreement sense)?

Reply

Subsidies provided in Lithuania are defined as in the WTO Agreement on Subsidies.

Question 62

What are the criteria that define "large scale" subsidies as referred to in this section?

Reply

The national budget for 1995 provides for approximately 106.2 million litas of subsidies, or 0.5 per cent of GDP.

The largest subsidies are provided for the energy system. The main reason for granting such subsidies is that the Lithuanian population is not able to pay for providing thermal energy and gas supply.

The majority of subsidies (about 72 million litas) is allotted for the compensation of set tariffs of thermal energy for inhabitants.

A further amount (about 19.3 million litas) is allotted for the compensation of set tariffs of gas, which is used for the heating of living quarters.

Also some subsidies are provided to the State enterprises "Lietuvos pastas" (Lithuanian Post) and "Lietuvos gelezinkeliai" (Lithuanian railway), State agency of inland water transport.

About the agriculture support system see the answers to Questions 40, 41, and 45.

Question 63

Does the Government deliver assistance and/or subsidies through economic levers such as the taxation system, foreign and domestic investment policy, excise duty, other exemptions for exported goods, or through privatization or other methods?

Reply

The Government provides some assistance through the taxation system also. There are advantages of various forms: of tariff, of tax size, of taxation base, of respite and exemption, for expenditures for support and charity, for enterprises of priority branches of economy (see the answer to Question 37), for small enterprises (see the Memorandum), for joint-ventures and foreign capital enterprises (see the answer to Question 54).

As was mentioned in the Memorandum, exported goods are exempted from the VAT. Also exemptions on VAT include some goods and services, which were listed in the Memorandum.

Excise duties are not imposed on imported goods that are free from customs duty according to the Law on Customs Tariff (27 April 1993). Excise duties also are not imposed on exported goods.

Concerning the indirect support for agriculture see the answer to Question 47.

The local authorities have the right to grant reductions in tax or exempt from profits tax for a determined period (but in such cases compensation from the local budget has to be provided).

9. Free economic zones

Question 64

In section 9, page 36 Lithuania raises the possibility of creating free trade zones. Can Lithuania provide more details on when such zones might be established and how they would operate?

Reply

The Law on Free Economic Zones was passed on 28 June 1995, and will enter into force with the passing of other special laws concerning the implementation of working mechanism of free economic zones.

The short overview of that Law follows (the translated version has not yet been prepared):

The main purpose of the Law on Free Economic Zones is to create favourable conditions for taxes, customs duties, legal and financial operations for local and foreign enterprises, to stimulate an international trade, foreign investments and to create a new working place.

The spheres of activities of free economic zones will cover commercial, industrial, export, banking and other activities. Such spheres shall be determined by the separate law for establishing a special zone.

Other laws and normal acts, except the Constitution of the Republic of Lithuania and the above-mentioned Law, will be valid in zone as much as this Law is boundless.

The following spheres of activities and investment will be forbidden:

- safeguarding of the national security and defence; the production, storage and selling of weapons, ammunition, explosives;
- manufacturing, storage of dangerous and radioactive materials;
- manufacturing, storage and selling of narcotic and poisonous substances;
- cultivation and selling of crops containing narcotic, highly effective or poisonous substances;
- manufacturing of tobacco products;
- manufacturing of vodka, liqueur and other spirits;
- manufacturing of securities, money, post stamps;
- establishing of gambling houses;
- organization of lotteries;
- publishing, except own demands; broadcasting and organization of radio and television programmes, except technical maintenance of printing house, radio and television;
- treatment of patients ill with dangerous and especially dangerous infectious diseases;
- treatment of animals ill with especially dangerous diseases;
- regulation of labour migration's questions.

Some activities according to the Law on Amendments and Supplements of the Law on Enterprises (5 July 1995) shall be prohibited without a licence issued by the Government or other authorized body (see the answer to Question 52). Foreign investment for exploitation of State natural resources without concession will be prohibited.

The initiators of the establishing of free economic zone may be a local government body, domestic or foreign economy subjects, registered in the Republic of Lithuania. Zone shall be established by the separate law. That law will contain limits of territory, spheres of activities and similar issues.

After the Seimas (Parliament) passes the law on the establishing of concrete zone, the Government shall organize the competition for the best business plan and for the preparation of the establishing group of the zone.

More than 50 per cent of the zone's members of management must be citizens of the Republic of Lithuania. The management of the zone shall give information about all activities to the Lithuanian Government. The supervision of free economic zones shall be given by the Government of Lithuania or other State bodies.

Enterprises registered in a zone and their employees shall pay the following taxes:

- profit tax of legal persons;

- income tax of natural persons;
- land renting;
- State social insurance taxes.

Enterprises registered and working in a zone, which are engaged in the manufacturing of goods, shall pay lower by 50 per cent rate land lease. If foreign investment is more than 30 per cent of the enterprise's capital and not less than US\$2 million, that enterprise shall be exempted from income (profit) taxes for a period of a 3 year. For the next 3 years that enterprise shall pay 50 per cent lower income (profit) tax rate.

Enterprises operating in a free economic zone shall be exempted from the value added tax (VAT). Dividends of foreign investors received in free economic zones shall not be taxable.

Goods imported to free economic zone (exported also) shall be exempted from the customs duties, taxes and other restrictions and prohibitions of economic sense, applied in Lithuania.

Import and export of goods from zone to customs territory of Lithuania shall be provided by the appropriate laws and other normal acts of Lithuania, which regulate the import and export operations with foreign countries.

Foreign investors shall have the right to transfer abroad their income without any restrictions.

Activities of banks and insurance companies in a zone shall be regulated by Lithuanian laws on commercial banks and insurance. For settlement in a zone shall be used litas (national currency) or free convertible currency.

Relations of land property and leasing shall be regulated by Land Law and Law on Land Leasing. The buildings and other objects, which are own by the State (local) government body, shall be leased or sold according to the laws of Lithuania.

The functions of sanitary and hygiene protection, safe exploring of environmental and natural resources, fire and labour inspection shall be managing by State inspections.

The foreign investor shall have the guaranteed right for owning 100 per cent of zone's enterprise property. The investment and investment being conditions for those investors, who invested their capital in the validity period of such Law, shall not be changed 5 years from the investment beginning.

10. Protection of intellectual property rights

Question 65

Enacting the relevant implementing legislation, Lithuania has recently become party to the WIPO Treaty, the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty and the Berne Copyright Convention. What further remains to be done to bring Lithuania's intellectual property laws fully to the standards set out in TRIPS?

If Lithuania has not already met TRIPS standards, how soon will these standards be satisfied? Will Lithuania be seeking to rely on the TRIPS transition period?

Question 66

Does Lithuania consider its current domestic legal framework to be sufficient for the adequate and effective protection of intellectual property rights? How does Lithuania propose to cover any deficiencies?

Question 67

What steps will Lithuania take in regard to obligations under the TRIPS Agreement relating to enforcement of intellectual property rights in Lithuania?

Replies to Questions 65, 66 and 67

The Government of Lithuania has already implemented in its laws the majority of the basic TRIPS provisions. In particular the national legislation including the Civil Code, Law on Trademarks and Service Marks (3 June 1993), Law on Patents (18 January 1994), Law on Competition (15 September 1992), Law on Industrial Design (4 July 1995) (after the translation this Law will be submitted to WTO Secretariat), etc. corresponds in principle to the most substantial TRIPS provisions. Some other laws are now being prepared or are being considered by the Seimas (Parliament) (Law on the Protection of Computer Programs and Data Bases, etc.).

On 14 December 1994, Lithuania became a member of the Bern Convention on the copyright protection. In the area of copyright and related rights, Lithuania will join the Rome Convention (of 1961) and the Geneva Convention (of 1971) by 31 December of this year.

Copyright and related rights protection in Lithuania is provided under the Civil Code. However, the mechanism of practical fulfilment of the law which is incorporated in the Civil Code is not yet created. It is necessary to make some changes and amendments in the Civil Code in the area of copyright protection, or to prepare a separate law on copyright protection, based on a model proposed by the WIPO.

Concerning trademarks, the Law on Trademarks and Service Marks (3 June 1993) completely conforms to TRIPS required standards. It must be stressed, that the main precondition for Lithuania joining the Paris Convention was the passing of appropriate laws on trademarks and patents. The Law on Trademarks contains provisions for customs activity ensuring the protection of the rights of trademark owners.

Geographical indications for commodities are partially regulated by the Law on Competition (15 September 1992). Article 7 of that Law provides that economic entities are prohibited to mislead the consumer by indicating incorrect information on the origin of goods. However, protection of geographical indications is insufficient and does not yet comply with TRIPS requirements. Lithuania is committed to passing the appropriate law conforming with the requirements of the Paris Convention before 31 December of this year.

The Law on Industrial Designs was passed on 4 July 1995, and will enter into force from 1 September 1995. This document was prepared taking into account the requirements of the Paris Convention and conforms to TRIPS requirements regarding industrial design.

The national Patent Law (18 January 1994) is also in conformity with TRIPS requirements.

Concerning the plant variety protection see the answer to Question 31.7.

Protection of layout-designs of integrated circuit is not provided for by legal acts in force at the moment. Lithuania will pass the appropriate law on the protection of layout-designs of integrated circuits before 31 December of this year.

Concerning the control of anti-competitive practices in contractual licences, the Law on Competition does not contradict, and is mainly compatible with, the requirements of items 1 and 2 of Article 40 of the TRIPS Agreement. The block exemption of competition acts now valid in Lithuania provides that the terms and practice of giving licences related with individual property rights, can permit abuse of the rights of intellectual properties and has a reversal effect for competition in the relevant market.

By the following Lithuanian laws the protection of trade secrets is provided: Criminal Code; Law on State Supervision of Precious Stones and Metals; Law on Foreign Capital Investment; Law on State Control; Law on Credit Unions; Law on Trade; Law on Customer Rights Protection; Companies Law; Law on Science and Studies; Law on Labour Contract, other. These laws define the responsibility of officials and officers to keep trade secrets and guarantee its protection. There are currently no intentions to prepare a separate law on protection of trade secrets.

At this time, the draft of the Law on the Protection of the Computer Programs and Data Bases is being prepared. This Law will cover restrictions of programs and data base users' rights for importing, exporting, passing, renting on receiving programs and data bases.

The membership in the Bern Convention, the Civil Code, the Criminal Code, the Law on Patents, the Law on Industrial Design regulate the enforcement of intellectual property rights.

The Civil Code and the Code of Civil Process of the Republic of Lithuania provide procedures which protect the violated rights and interests including intellectual property rights.

In a case of infringement of the intellectual property rights shall be prosecuted by the civil action, if it is not a criminal violation. The preliminary investigation of a case usually have to be finished in two months.

The Civil Code provides the protection of copyright. The infringer of copyright must compensate the damage, determined by the court. The amount of compensation shall not be less than 500 litas and not bigger than 10,000 litas. The illegally made copies may be confiscated or destroyed according to the decision of the court. The equipment used for illegal activity may be confiscated also. Lithuanian laws satisfy the requirements of Articles 41-61 of TRIPS.

CHAPTER V. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

1. Brief description of bilateral trade and economic agreements and integration arrangements

Question 68

Has Lithuania concluded bilateral investment treaties with provisions on the protection of foreign investment? Is Lithuania currently negotiating any bilateral agreements to protect and promote foreign investments?

Reply

All of Lithuania's investment treaties are concluded on the basis of foreign investment promotion and protection from the expropriation, nationalization or similar measures. Under those agreements, which are coordinated with international standards, the status of Most-Favoured Nation or National Treatment is given for foreign investors.

Agreements on investment promotion and protection have been signed and enforced with China, Denmark, Finland, France, Great Britain, Netherlands, Norway, Poland, Romanian, South Korea, Sweden and Switzerland. An Agreement with the United States is now being renegotiated. Also there is a valid agreement with the Multilateral Investment Guarantee Agency (MIGA).

Agreements with Germany, Israel, Italy, Kazakhstan, the Czech Republic, Spain, Turkey, Ukraine and Venezuela are signed but are not yet in force.

Currently Lithuania is negotiating bilateral agreements with Australia, Malaysia, Singapore, Tunisia, Vietnam, Kuwait, and Belgium and Luxembourg economic union.

Question 69

Lithuania states that a trilateral Free Trade Agreement between Lithuania, Latvia and Estonia is in force, and that Free Trade Agreements have been signed with Ukraine, Belarus and Kazakhstan. Do any of these agreements provide for free trade in services?

Reply

The trilateral Free Trade Agreement between Lithuania, Latvia and Estonia does not cover services. See the answer to Question 70 for treatment of other countries.

Question 70

What is the basis (currency, reference prices, etc.) for Lithuania's trade with the CIS countries? What are the contents of the free trade agreements signed with a number of CIS countries? Do these agreements have transition periods? Are they symmetrical?

Reply

Trade with CIS countries, as well as with all other countries, is conducted among managing entities, taking into account signed and valid intergovernmental agreements on commercial and economic cooperation drawn up referring to the rules of GATT/WTO.

Payments with CIS countries for appropriately signed interbank agreements are effected in a freely convertible currency or national currency of a country through correspondence accounts in national banks.

Lithuania does not apply any exceptional prices to CIS countries. In conformity with the Government Resolution No. 281, signed on 28 February 1995, reference (threshold) prices for some imported goods have been introduced in Lithuania and it is planned to apply reference prices to trade with all CIS countries as well as with other countries.

Lithuania has signed free trade agreements (symmetrical in respect to both contracting parties) with Ukraine (4 August 1993) and Kazakhstan (5 July 1993). The agreements do not provide for

transition periods. Neither of them, however, has come into force yet. Under Government Resolution No. 1367 "On the Establishment of Customs Tariff Structure " (30 December 1994), Lithuania applies MFN tariffs to imports from Ukraine, Kazakhstan and Tajikistan.

The Free Trade Agreement with Belarus signed on 17 March 1993, denounced. An agreement has been providing for MFN treatment in trade and was signed on 13 December 1994, and came into force on 17 February 1995.

Under the Protocol between Lithuania and Moldova, signed on 27 March 1995, MFN treatment in trade will be provided until 1 January 1996.

Presently Lithuania applies conventional customs tariffs to trade with Russian Federation, Belarus, Kazakhstan, Moldova, Tajikistan and Ukraine (see the answer to Question 11).

Question 71

Has a trade agreement been signed with Russia? What are Lithuania's intentions as regards the other CIS States?

Reply

Lithuania plans to draw up agreements based on MFN treatment in bilateral trade with CIS countries. Presently such an agreement with Georgia is in the final stage of preparation.

Lithuania has signed MFN trade agreements with the Russian Federation (the agreement was signed on 18 November 1993, and entered into force on 18 January 1995) and Belarus. Such agreements also have been signed with Uzbekistan and Tajikistan, but have not entered into force.

Question 72

Does Lithuania have any other trade or economic agreements other than those listed in this section?

Reply

After the Memorandum was submitted there were come to force and new signed and enforced those trade or economic agreements (also there are some omitted agreements):

- (i) Agreement between the Government of the Republic of Lithuania and the Government of Soviet Socialist Republic of Ukraine on Economic and Cultural Cooperation in 1991-1995, 7 December 1990;
- (ii) Agreement between the Republic of Lithuania and the Russian Soviet Federal Socialist Republic for the Cooperation in the Economic, Social and Cultural Development of the Kaliningrad Region in R.S.F.S.R., 29 July 1991 (for the period of 5 years);
- (iii) Agreement between the Government of the Republic of Lithuania and the Government of the Federal Republic of Czechia and Slovakia on Trade and Economic Relations and Scientific-Technical Cooperation, 3 August 1991 (is valid for Slovakia);

- (iv) Agreement between the Government of the Republic of Lithuania and the Government of the Republic of Hungary on Economic and Trade Cooperation, 10 December 1991 (applying provisionally by signing);
- (v) Agreement between the Government of the Republic of Lithuania and the Government of the People's Republic of China on Trade and Economic Cooperation, 30 January 1992 (entered into force on 29 June 1994, for 5 years period);
- (vi) Agreement between the Government of the Republic of Lithuania and the Government of Romanian on Economic and Trade Relations and Scientific-Technical Cooperation, 10 June 1992;
- (vii) Agreement on Economic and Commercial Cooperation between the Republic of Lithuania and the Republic of Turkey, 27 August 1992 (entered into force on 7 October 1994, for the period of 5 years);
- (viii) Agreement between the Government of the Republic of Lithuania and the Government of the Republic of India on Trade and Economic Cooperation, 7 February 1993 (applying provisionally by signing);
- (ix) Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on Trade and Economic Relations, 18 November 1993 (entered into force on 18 January 1995, for the period of 5 years);
- (x) Agreement between the Government of the Republic of Lithuania and the Government of Romanian on the Establishment of the Governmental Lithuanian-Romanian Committee for the Solving Problems of Trade and Economic Cooperation, 22 April 1994 (entered into force on 6 October 1994, for the period of 5 years);
- (xi) Trade Arrangements for Agricultural Products between the Republic of Lithuania and the Swiss Confederation, 12 December 1994 (entered into force on 1 June 1995) (annex to Free Trade Agreement between the Republic of Lithuania and the Swiss Confederation, signed on 24 November 1992, and entered into force on 1 March 1994);
- (xii) Agreement between the Government of the Republic of Lithuania and the Cabinet of Ministers of the Republic of Belarus on Trade and Economic Cooperation, 13 December 1994 (entered into force on 23 February 1995, for the period of 5 years);
- (xiii) Trade Agreement between the Government of the Republic of Lithuania and the Government of the Republic of Cyprus, 20 February 1995 (entered into force on 10 April 1995, for the period of 5 years);
- (xiv) Protocol between the Government of the Republic of Lithuania and the Government of the Republic of Moldova on Trade and Economic Cooperation in 1995, 27 March 1995 (till 1 January 1996);
- (xv) Agreement between the Government of the Republic of Lithuania and the Government of the Kingdom of Sweden on the Establishment of the Joint Swedish-Lithuanian Economic Commission, 6 April 1995;

For information under what signed and enforced agreements the MFN is applied see the answer to Question 11.

Also some agreements were signed on trade and economic cooperation which are not yet enforced (with Austria, Greece, Italy, Canada, Poland, Slovenia, Tajikistan and Uzbekistan). Agreements with the United States, India and Hungary are applying provisionally by signing.

On 12 June 1995, the Europe (Association) Agreement between the Republic of Lithuania and European Union was signed which must pass the ratification process.

Lithuania intends to conclude free trade agreements with a number of East European countries. First on the list would be neighbouring Poland. The Government has also prepared documents for negotiations with Hungary, the Czech Republic and Slovenia.

CHAPTER VI. LAWS AND LEGAL ACTS

2. Laws and legal acts relating to non-tariff regulation of imports, exports and trade in transit, rules of origin; responsible agencies

Question 73

Please provide details on how the security deposit for goods in transit is calculated, as well as on what constitutes an "adequate guarantee".

Reply

The amount of security deposit or guarantee is not less than the sum of import customs duties and taxes applied to goods in transit.

3. Laws and regulations relating to foreign investment; responsible agencies

Question 74

What specific form of protection does the Law on Foreign Investment provide with respect to discrimination? National treatment and Most-Favoured Nation treatment?

Reply

Foreign investments are protected by the laws of the Republic of Lithuania.

Discrimination against foreign investment in any form is prohibited.

The new Law on Foreign Capital Investments in the Republic of Lithuania (13 June 1995) provides that during the period of existence of an investment in Lithuania, foreign investors shall enjoy the same rights regulating economic-commercial activities and shall have the same obligations as legal and natural persons of Lithuania.

State institutions or officials shall have no right to prohibit or restrict the investment of capital of foreign origin if the capital of foreign origin is invested in compliance with the laws of Lithuania.

The taxation conditions applied to enterprises may not be less favourable than those applied to the legal and natural persons of Lithuania.

Property may be appropriated only if compensation is paid and only in cases prescribed by the laws of the Republic of Lithuania, in accordance with the universally recognized norms of international laws.

In the event of disputes, foreign investors shall have the right to apply directly to the International Centre for the Settlement of Investment Disputes in compliance with the norms of the Washington Convention of 18 March 1965 "On the Settlement of Investment Disputes between States and Nationals of other States".

Question 75

What exceptions are there to the provision that prohibits discrimination against foreign investment?

Reply

There are no exceptions to the prohibition of discrimination against foreign investments.

Question 76

Does the "Law on Spheres of Business Activity wherein Foreign Investment Prohibited or Limited" stipulate all the sectors in which foreign investments are forbidden or restricted? What is the rationale for forbidding or restricting foreign investment in these sectors? Are there restricted or forbidden sectors other than defence and security? What definitions are used for "defence" and "security" of the Republic of Lithuania?

Reply

Please note that the new Law on Foreign Capital Investments (13 June 1995) supersedes the old Law on Spheres of Business Activity wherein Foreign Investment Prohibited or Limited as well as the old Law on Foreign Investment. See the answer to Question 52 for a description of the new Law and other business licensing requirements in Lithuania.

Question 77

What are the procedures for the Ministry of Economics registration or notification requirements for foreign investments in Lithuania? In which cases does the Ministry of Economics retain the right of approval? Do foreign investors have to agree to specific performance requirements as a condition of investing and carrying on their investments in Lithuania? Are voluntary undertakings a factor in this regard?

Reply

For the registration of foreign investment in Lithuania, the only requirement is to submit the establishment documents to the Ministry of Economics and to obtain permission from local authority and local agency for environmental protection.

State institutions or officials shall have no right to prohibit or restrict the investment of capital of foreign origin if the capital of foreign origin is invested in compliance with the laws of Lithuania.

ANNEX IV. GOVERNMENT DECISION ON THE PROCEDURE OF COMMODITY EXPORT AND IMPORT REGULATION IN THE REPUBLIC OF LITHUANIA

Question 78

Although agriculture is only 12 per cent of GDP, it is a highly protected sector with very high tariff levels on many items and import quotas on a significant number of agricultural goods, including sugar, livestock and cereals. What plans does the Lithuanian Government have to reduce these high tariffs and to eliminate quotas?

Reply

Actually, agriculture and food industry activity represented 20 per cent of GDP 1994.

The quotas mentioned are tariff quotas (see the answer to Question 14). Concerning the restrictions on sugar import see the answer to Question 13.

Lithuania is currently preparing for bilateral market access negotiations required for membership in the WTO. Lithuania will be eager to receive requests from WTO members to speed this process.

Question 79

We understand from Annex IV of Lithuania's Memorandum that the tariff rate on imports of wool is currently zero. Does Lithuania have any intention of raising import tariffs on wool?

Reply

Lithuania, not possessing wool fibre, imports all its requirements and, therefore, does not currently apply custom duties to imports of wool fibre. Lithuania will address the level of an appropriate binding for wool fibre in the context of its bilateral market access negotiations.