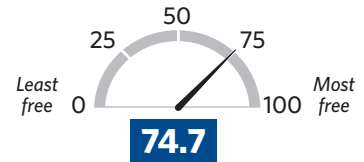


LITHUANIA

Economic Freedom Score



World Rank: **15** Regional Rank: **6**

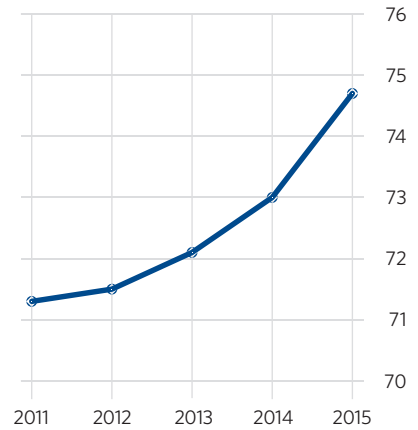
Lithuania's economic freedom score is 74.7, making its economy the 15th freest in the 2015 *Index*. Its overall score is up by 1.7 points from last year, reflecting improvements in half of the 10 economic freedoms including freedom from corruption, the management of public spending, labor freedom, and monetary freedom. Lithuania is ranked 6th out of 43 countries in the Europe region, and its overall score is well above the world and regional averages.

Recording its fifth straight year of advancing economic freedom, Lithuania achieved its highest score ever in the 2015 *Index*. Since 2011, its economic freedom has advanced by 3.4 points, with gains in seven of the 10 economic freedoms driven by prudent fiscal and monetary policies and declining levels of perceived corruption. Remarkably, Lithuania has experienced no score declines in any factor over this period.

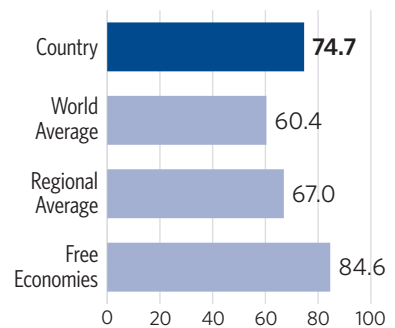
Lithuania's transition to a dynamic economy open to global commerce is facilitated by low tariff barriers and open financial markets. Investors are attracted by an efficient regulatory environment with low barriers to entry. The economy scores above average on rule of law, but institutional issues in the judiciary and property rights regime persist.

BACKGROUND: Lithuania, largest of the three Baltic States, regained its independence from the Soviet Union in 1991. It joined the European Union and NATO in 2004. Lithuania is a parliamentary republic with some attributes of a semi-presidential system. Under President Dalia Grybauskaitė, re-elected in May 2014, the country has worked to improve transparency in parliamentary elections, on judicial reforms, and on energy and financial security. Prime Minister Algirdas Butkevicius of the Social Democratic Party presides over a center-left coalition. Lithuania is heavily dependent on Russia for natural gas and is building the region's largest offshore liquefied natural gas terminal to access other sources of energy. The construction, financial services, and retail sectors have grown.

Freedom Trend



Country Comparisons



Quick Facts

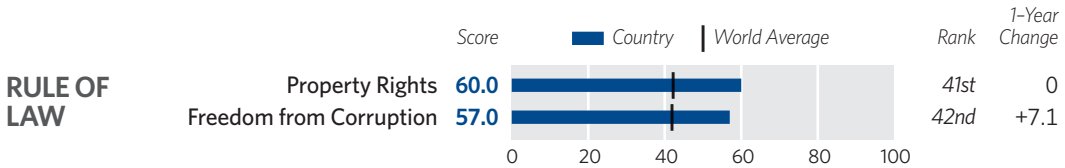
Population: 3.0 million
GDP (PPP): \$67.6 billion
 3.3% growth in 2013
 5-year compound annual growth -0.4%
 \$22,747 per capita
Unemployment: 12.1%
Inflation (CPI): 1.2%
FDI Inflow: \$531.1 million
Public Debt: 39.3% of GDP

How Do We Measure Economic Freedom?

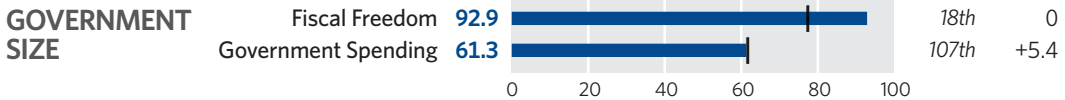
See page 475 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2013 data unless otherwise noted.
 Data compiled as of September 2014.

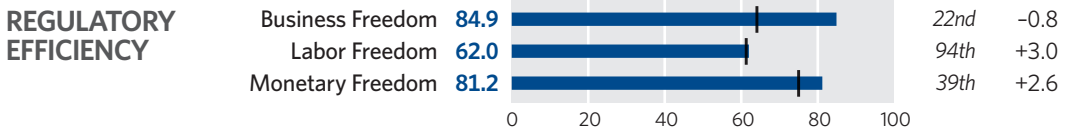
THE TEN ECONOMIC FREEDOMS



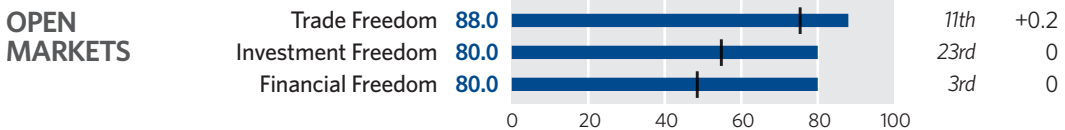
Corruption is present at all levels of state governance and public administration. State procurement is also a problem; it is often claimed that tender requirements, for example, are tailored to fit specific bidders. In 2013, a court found four Labor Party officials guilty of a fraud scheme to benefit the party. EU membership has strengthened judicial independence, but many improvements are still needed.



The top individual and corporate income tax rates are 15 percent. Some small businesses qualify for a reduced rate of 5 percent. Other taxes include an inheritance tax and a value-added tax. Total revenue is equal to 16 percent of domestic production. Public expenditures amounts to 35.9 percent of domestic output, and public debt equals 39 percent of gross domestic product.



Incorporating a firm involves three procedures, and no minimum capital is required. Labor market dynamics have improved, and a ceiling on unemployment benefits has been introduced. The government used its EU presidency in 2013 to push for reductions in EU Common Agricultural Policy subsidies, but it must further reduce its own state subsidies when it joins the eurozone in 2015.



EU members have a 1.0 percent average tariff rate. Although some non-tariff barriers exist, the EU is relatively open to external trade. Lithuania's policies welcome investment, but foreign purchases of agricultural land are restricted. The financial sector remains stable. Although a mid-sized domestic bank failed in 2013, financial stability has not been impaired.

Long-Term Score Change (since 1996)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+10.0	Fiscal Freedom	+16.3	Business Freedom	+14.9	Trade Freedom	+23.0
Freedom from Corruption	+27.0	Government Spending	-1.1	Labor Freedom	+6.2	Investment Freedom	+30.0
				Monetary Freedom	+68.3	Financial Freedom	+50.0