

Lithuania 2014



Total: 72.34

Quick facts

Population:	2.94 million
Unemployment rate:	10.7 %
GDP:	48.23 billion \$
GDP growth rate:	2.93 %
GDP per capita:	16385 \$

Political Freedom

Free and Fair Elections : 10

Members of the *Seimas*, Lithuania's unicameral 141-seat parliament, are elected in single-mandate constituencies (71 seats) and through proportional representation (70 seats), for four-year terms. The prime minister is nominated by the president and confirmed by the parliament. Recent elections have been largely free and fair, while allegations of bribery and tampered-with ballots were addressed by the High Elections Commission.

Political parties operate in a fairly unrestricted environment but the Communist Party and other organisations linked to the former Soviet regime continue to be banned.

Absence of Unconstitutional Veto Players : 7.5

The elected government has the effective power to govern and few veto players without a constitutional mandate are able to exert undue influence on Lithuanian politics. That being said, corruption and nepotism remain a problem but during the past years Lithuania has taken steps to bring to justice officials suspected of abusing their power.

To a certain extent Russia is trying to restore its role as a veto player in Lithuanian politics. The Lithuanian state security department has accused Russian spy agencies of spying on Lithuanian institutions, trying to influence government decisions and fuelling ethnic tensions in the country.

Freedom of Press : 7.6

Freedom of the press and expression are constitutionally granted and by-and-large upheld in practice. Lithuanian media outlets express a wide range of views and are free to criticize the government. But, lack of transparency of media ownership has occasionally raised questions about media independence from outside influence. Libel and defamation are punishable by jail but journalists have so far only occasionally been affected.

Economic Freedom

Security of Property Rights : 6.06

Private property is relatively secure and respected in Lithuania. However, judicial independence and court impartiality remain lower than other areas of the legal system, and some court standings are under political influence. Legal enforcement of contracts is long, with a high number of procedures, but far less complicated and costly than the EU countries` average. Resolving insolvency is cheap, with high recovery rates. There is little involvement of military in the rule of law, but the reliability of the police is not high. Integrity of the legal system overall is high, but there is room for improvements. Business costs of crime are low.

Size of Government: Expenditures, Taxes, and Enterprises : 7.44

The government size in Lithuania is moderate by European standards, with the level of government expenditures, that stood at 33.5% of the GDP, having been among the lowest. Such a low level of government spending is a result of moderate taxes and efficient governance coupled with low transfers and subsidies. Lithuanian tax system can be depicted as flat, with some minor progressive characteristics – personal income tax is set at 15%, the same rate as the corporate income tax. Standard VAT rate is 21% with reduced rates of 9% or 5% for certain products. Excise duties on tobacco, alcohol and energy are among the lowest in the EU. Tax wedge on labour is high, approximately 35.5%, because of the high rates of social contributions. The strong recession of 2009 had major repercussions on the revenue side of the government finance, which had to launch major austerity measures. They lowered the public expenditures by 10 percentage points. This has almost eliminated budget deficits which, coupled with post-recession growth rates, has stopped public debt growth. However, public debt is 2.5 times higher than before the recession. The Lithuanian state is not present in the market, except a few public companies mostly in the utilities sector.

Regulation of Credit, Labour, and Business : 7.49

Regulation of business activities is generally oriented towards entrepreneurial activities. However, administrative requirements and bureaucracy costs associated with it are substantial, hindering faster economic development. This kind of business environment is prone to corruption activities and favouritism associated with it, distorting market competition. However, strong sides of the business climate is that it is easy and inexpensive to start a new business venture, licensing restrictions for operating a business are not prevalent in the economy and tax compliance with tax procedures is not heavy. Working hours regulations remain rigid, with relatively low maximum of working days per week (5.5) and no prolonged working hours in the case of increased workload. Minimum wage is high when compared to the average wage, reaching the ratio of 0.41, which encourages shadow employment and hurts workers with lower qualifications. Redundancy notice periods are long and their costs are high, increasing with the length of the worker's tenure.

Freedom to Trade Internationally : 8.78

Lithuania is a country very open to international trade. Being a member of the EU, it implements the common trade policy with low tariffs in international trade. Good transportation infrastructure makes importing or exporting relatively easy and cheap, while quick and uncomplicated customs administrative requirements further facilitate free trade. Regulatory trade barriers in use still pose a problem, mostly in the field of required standardization of goods. The national currency litas has been pegged to euro since 2002, expecting to be replaced by it in 2015, when Lithuania becomes a member of the euro-zone. However, certain restrictions on the movement of capital remain. EU citizens have the same legal rights and obligations in the labour market as do the nationals, but obtaining working permits for third party nationals is complicated due to lengthy procedures.

Rule of Law

Independence of the Judiciary : 4.25

In less than 25 years Lithuania has transformed from a republic of the USSR into a respected EU, EMU and NATO member state, and from an entirely central-planning to functional market economy. Freedom House considers it a "free country". Yet judiciary remained as a weak point of the rule of law. The situation is worse than in the comparable countries such as Latvia or Estonia. One of the fields of special concern is political influence on courts, often exercised so as to slow down the enforcement of contracts. Transparency International's research indicates at a high level of perceived corruption in courts. According to the Freedom House report as of 2013, improvements were needed in the law enforcement system as well. Thereby, the existing problems included arbitrary arrests, insufficient access to legal counseling, abuses in detention and discrimination against Romany or some other minorities.

Corruption : 5.7

In 2013, Lithuania improved regarding corruption, according to the Transparency International. From the rank 48 (of 176) and the score 54 in the Corruption Perception Index 2012, it rose to the rank 43 (of 177) and the score 57 in 2013. Legal actions against high ranking officials or businessmen suspected of corruption were common during the recent years. Corruption was combated in the banking sector, as well as in several local governments, including in the capital Vilnius, encompassing irregularities in infrastructure development projects and in public procurement. On the top of it, a former government minister was tried for fraud. Global Corruption Barometer 2013 showed that citizens mostly distrusted integrity of the MPs (by 80%), political parties (78%) and judiciary (79%). On the other hand, FNF findings as of 2012, similar as Freedom House`s as of 2014, showed that the petty, daily-life corruption was slowly retreating, while some efficient steps to counter tax evasion were taken.

Protection of Human Rights : 7.52

Lithuania has reached the basic EU standards in protection of human rights. It has resolved the (common post-Soviet republics`) problem of Russian-speaking residents quicker and more thoroughly than other Baltic states, by granting citizenship to most of them. Religious liberties are well respected for traditional communities, yet problems occur in the discrimination of the “new” ones (e.g. regarding public funding). Academic freedom is highly valued. Same goes for Internet and protection of personal information, while freedom of expression in the media suffers from problems of transparency of ownership and of unclear child-protection regulation. Freedom of association is well protected, except occasional obstacles put to trade union activities on the ground. Not so much encouraging is the situation of ethnic or linguistic minorities. Romany people are facing various problems. Holocaust denial (sometimes - albeit not necessarily - coupled with other forms of anti-Semitism) is not rare, in spite of the legislation banning (and largely equating) Nazi and Soviet-communism propaganda. There is an anti-discrimination law protecting LGBTs too, but not much legal protection besides it. Same-sex unions are still not regulated. Other forms of discrimination of LGBTs are also present. As for women equality, in 2009 Dalia Grybauskaitė was elected by popular vote as the first woman President of the country. In the parliament, women comprise 24% of all the MPs. Problems still persist in the areas of wage gap, sex trafficking and domestic violence. FNF inquiry among the Lithuanian civil society in 2012 showed their strong commitment to struggle for - and their aiming at - Nordic standards of women equality in future.