

Lithuania in European Union

Lithuania (the Republic of Lithuania) is located on the south-eastern shore of the Baltic Sea; it covers a large part of the basins of the rivers Nemunas and Neris. Its territory extends from 53°54' to 56°27' N and from 20°56' to 26°51' E, i.e. it lies at the same latitude as Denmark and southern Sweden. The capital – Vilnius city – falls within the same time zone as Helsinki, Riga and Sofia. The maximum length of the territory of Lithuania from the west to the east is 373 km, from the north to the south – 276 km. The distance from the cartographical centre of Lithuania (located in the village of Ruoščiai, Kėdainiai municipality) to the North Pole makes 3870 km, to the Equator – 6130 km. Lithuania is the Baltic Sea state (the length of the coastline – 90 km). Klaipėda seaport is the farthest to the north port of the Baltic Sea that does not freeze in winter, functioning all year round. The Baltic Sea and the Curonian (Kuršių) Lagoon provide favourable conditions for maritime navigation and fishing.

As regards the area (65.3 thous. km²), Lithuania belongs to the small countries of the European Union. The countries smaller than Lithuania are Denmark, Belgium, Estonia, Slovenia, the Netherlands, Latvia, Slovakia, Cyprus, Malta, and Luxembourg; however, as regards the population, Lithuania outpaces only Latvia, Estonia, Slovenia, Cyprus, Malta, and Luxembourg.

In 1989, the scientists of the French National Geographic Institute (Institut Géographique National) determined the cartographical centre of Europe. According to geographic coordinates (54°54' N and 25°19' E), the centre of Europe is situated 25 km away from Vilnius, near a highway going to Utena town, at the picturesque Bernotai castle mound, Girija Lake and a small river.

According to available sources, the name of Lithuania was for the first time mentioned in the year 1009 in the Quedlinburg Chronicle (lat. *Annales Quedlinburgenses*). Thus, in the year 2009, the country will commemorate the millennium of the Name of Lithuania, while the capital city – Vilnius – during the entire year will be the European capital of culture.

On 11 March 1990, Lithuania proclaimed the restoration of its Independence. After joining NATO and the accession to the European Union in 2004, Lithuania returned to the community of European countries.

The four years in the common economic area of the European Union created preconditions for the free movement of goods, labour force and capital, which definitely had a considerable impact on the economic, social, demographic and environmental processes in the country. The common market of goods and the labour force stimulated the processes of approach of the levels of prices for goods and services and remuneration for work, which were followed by increasing international migration and decreasing unemployment rate, rapidly growing earnings and, at the same time, increasing inflation.

Population

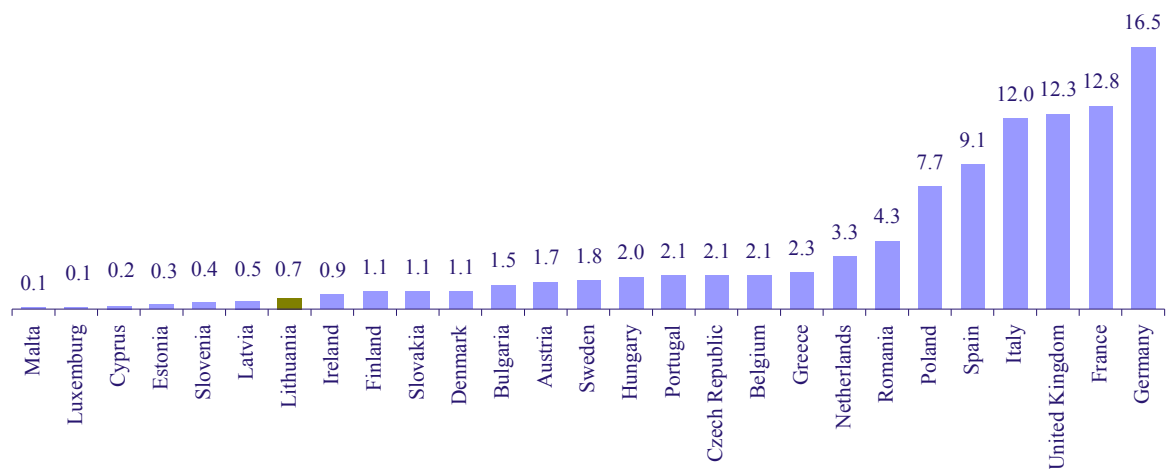
In 2007, the world population made 6625 million persons. Based on provisional data of the Statistical Office of the European Communities (Eurostat), at the beginning of 2008, the population of the European Union made 497.2 million persons, which is by 2.1 million more than at the beginning of 2007. Over 2007, the EU population grew by 0.42 %; however, this increase was mostly due to immigration processes, not due to the natural increase in the population. Lithuania ranks twenty first in the EU in terms of the population (0.7 % of the EU population). Based on the provisional data of Eurostat, in 2007, the population decreased only in eight EU Member States; Lithuania was among them. The population density in the European Union reaches 114.8 per./km², while in Lithuania – just about 54 per./km². The reason for such a low density is, partly, a low level of urbanisation in the country (the most densely populated areas are usually cities and towns, namely the major ones). A lower population density is only in Estonia, Finland, Sweden and Latvia. The highest population density is in Malta – 1289 per./km²; in this case, naturally, the level of urbanisation is not the key factor conditioning the population density.

Demographic indicators of EU Member States, beginning of 2008

	Population, beginning of 2008, million	Natural increase per 1000 population, 2007	Population density, beginning of 2008, per./km ²	Average life expectancy		Females per 1000 males	Infant deaths (under 1 year of age) per 1000 live births
				males	females		
EU 27	497.5	1.0	114.8	75.4	81.5	1049	...
Ireland	4.4	9.8	62.3	77.3	82.1	1000	...
Austria	8.3	0.2	99.5	77.3	82.9	1056	3.7
Belgium	10.7	1.9	347.8	77.3	82.3	1043	3.1
Bulgaria	7.6	-5.0	69.4	69.2	76.3	1064	9.2
Czech Republic	10.4	1.0	132.9	73.7	79.9	1047	3.1
Denmark	5.5	1.6	126.2	76.1	80.7	1020	4.0
Estonia	1.3	-1.2	30.9	67.3	78.8	1171	5.0
Greece	11.2	0.2	85.2	77.3	82.2	1019	3.8
Spain	45.3	2.4	87.2	77.8	84.1	1027	3.7
Italy	59.6	-0.1	199.7	78.6	84.1	1059	3.8
United Kingdom	61.2	3.2	250.0	77.6	81.7	1039	...
Cyprus	0.8	4.0	83.5	78.8	82.4	1031	6.2
Latvia	2.3	-4.3	36.7	65.9	76.8	1165	8.7
Poland	38.1	0.3	122.0	70.9	79.7	1069	6.0
Lithuania	3.4	-3.9	54.2	64.9	77.2	1146	5.9
Luxembourg	0.5	3.4	182.8	76.8	81.9	1020	1.8
Malta	0.4	1.9	1287.8	77.4	81.9	1013	6.5
Netherlands	16.4	2.9	483.8	78.1	82.4	1022	4.1
Portugal	10.6	-0.1	114.9	75.5	82.3	1066	...
France	63.8	4.6	99.9	77.5	84.4	1058	...
Romania	21.5	-1.7	93.9	69.2	76.1	1052	12.0
Slovakia	5.4	0.1	110.0	70.5	78.1	1060	6.1
Slovenia	2.0	0.7	99.6	74.5	82.0	1037	3.1
Finland	5.3	1.8	17.3	75.9	82.9	1042	2.7
Sweden	9.2	1.7	22.1	78.9	83.0	1015	2.5
Hungary	10.0	-3.5	108.3	69.2	77.8	1106	5.9
Germany	82.2	-1.7	230.7	77.1	82.4	1042	3.8

Population of the EU Member States, 2007

EU 27 – 100 per cent



The ratio of the number of men to that of women changes depending on the age group. In the EU, women live, on average, by 6 years longer than men. In Lithuania, the indicators of average life expectancy (ALE) are threateningly abnormal – the male ALE (64.9 years) is the shortest in the EU and by as much as 12.3 years (the difference being the broadest in the EU) shorter than the female ALE in the country (77.2 years), which, in turn, is just slightly longer than that in Bulgaria, Latvia and Romania. A similar situation is observed in Latvia and Estonia. The above-mentioned facts impact on the conspicuously different ratio of the number of men to that of women in the Baltic States, as compared with the rest of EU Member States. Such a ratio may be partly impacted on by the structure of causes of death of men – post-Soviet countries are characterised by high mortality of middle-aged men due to external causes of death. For example, although the number of deaths due to traffic accidents in 2007, against 2006, slightly decreased (from 899 to 877), this indicator still remained the highest in the EU.

Not in a single EU country the birth rate ensures the alternation of generations. In 2007, the highest total fertility rate (the average number of children that would be born to a woman over the fertile period of her life) was in France (1.98), Ireland (in 2006 – 1.93), Sweden and Denmark (1.85 in each), the lowest – in Slovakia (1.25), Poland (in 2006 – 1.27), Romania (1.29) and Malta (1.3). In 2007, the lowest number of live births per 1000 population in EU countries was in Germany – 8.2, Austria – 9, Italy and Slovenia – 9.5 in each, the highest – in Ireland (15), France (13.1) and the United Kingdom (12.4).

In 2007, the number of deaths per 1000 population in Lithuania was 1.4 times higher than the EU average (9.7); higher mortality rates were observed only in Bulgaria (14.9) and Latvia (14.6).

The structure of causes of death in Lithuania, as well as in the rest of EU countries, has not been changing for many years. In 2007, the share of deaths due to three main causes of death – diseases of the circulatory system, malignant neoplasms and external causes of death (accidents, poisoning, traumas, etc.) – made up about 83 % (in 2000 – 87 %).

In recent years, infant mortality in Lithuania has been decreasing. The infant mortality rate (the number of infant deaths per 1000 live births) decreased from 7.9 in 2004 to 5.9 in 2007; nevertheless, it remained higher than in most of the old EU Member States (EU average – 4.7).

According to the data of the declaration of the place of residence, the number of residents of Lithuania who in 2007 left the country to take up permanent residence abroad or for a longer than a 6-month period made 13.9 thousand (in 2006 – 12.6 thousand). The highest number of persons left to the United Kingdom (26.4 %), Ireland (11.7 %), USA (11.1 %), Germany (9.2 %), Russian Federation (6.5 %) and Spain (6.1 %).

In 2007, the number of persons who immigrated to Lithuania made 8.6 thousand, which is by 864 more than in 2006. The highest number of persons arrived from the United Kingdom (1.8 thousand), Ireland (0.9 thousand) and Germany (0.6 thousand), as well as from Belarus (1 thousand), Russian Federation (0.9 thousand) and Ukraine (0.5 thousand). The largest share of persons who arrived (as much as 71.3 %) were the citizens of the Republic of Lithuania coming back to their homeland (in 2001 – 15.2 %). About 67 % of returning Lithuanian nationals were aged under 35 (in 2001 – 50.3 %).

Lithuania is the fourth EU county where the number of emigrants is higher than that of immigrants. In 2007, based on the provisional data of Eurostat, net migration per 1000 population was negative (the number of emigrants exceeded that of immigrants) only in seven EU Member States: Romania (-4.7), Bulgaria (-4.4), Poland (-3.6), Lithuania (-1.6), Estonia (-1.5), Latvia (-0.8) and the Netherlands (-0.4).

Education

According to the majority of indicators of education, Lithuania falls within the group of EU countries occupying the highest positions. In 2006, the share of the youth aged under 29 studying in educational institutions of Lithuania was among the highest in the EU; Lithuania was outpaced only by the United Kingdom (in Lithuania – 57.4, in the United Kingdom – 58.4 % of the population of the respective age group). The share of studying young people aged 18 considerably exceeded the EU average as well as the indicators of most EU countries (93.1 % of the population of the respective age group, EU average – 77.4 %; for comparison, in Cyprus, where this indicator was the lowest, it made up just 30.8 %).

However, the indicators of mobility of Lithuanian students were among the poorest in the EU. The indicators of education of children of pre-school age were not any optimistic as well. In 2006, the share of children attending preschool education institutions made up 59.7 % of all children of the respective age, whereas the EU average made up 86.8 %. This indicator, however, does not testify to the fact that conditions are provided in the country for small children to be educated at home; it is more likely that the said indicator signals the underdevelopment of the infrastructure of preschool education institutions, and, at the same time, reflects the aggravated integration of women (surely, sometimes men) bringing up children of preschool age into the labour market.

Public expenditure on education, against the country's GDP, is also evidently insufficient. In 2007, it made up 4.95 % of GDP and was almost twice as low as that of Denmark, where public expenditure on education was the highest in the EU (8.28 % of GDP).

Indicators of education in EU Member States, 2006

Per cent

	Population aged 25–64 having general upper secondary education	Youth aged 20–24 having at least general upper secondary education	Public expenditure on education, against GDP, 2006
EU-27	70.8	78.1	5.03
Ireland	67.6	86.7	4.77
Austria	80.1	84.1	5.44
Belgium	68.0	82.6	5.95
Bulgaria	77.4	83.3	4.51
Czech Republic	90.5	91.8	4.35
Denmark	75.5	70.8	8.28
Estonia	89.1	80.9	4.87
Greece	59.8	82.1	3.98
Spain	50.4	61.1	4.23
Italy	52.3	76.3	4.43
United Kingdom	73.3	78.1	5.45
Cyprus	72.1	85.8	6.92

	Population aged 25–64 having general upper secondary education	Youth aged 20–24 having at least general upper secondary education	Public expenditure on education, against GDP, 2006
Latvia	85.0	80.2	5.06
Poland	86.3	91.6	5.47
Lithuania	88.9	89.0	4.95
Luxembourg	65.7	70.9	3.81
Malta	26.8	54.7	2.93
Netherlands	73.2	76.2	5.19
Portugal	27.5	53.4	5.40
France	68.7	82.4	5.65
Romania	75.0	77.4	3.48
Slovakia	89.1	91.3	3.85
Slovenia	81.8	91.5	5.83
Finland	80.5	86.5	6.31
Sweden	84.6	87.2	6.97
Hungary	79.2	84.0	5.45
Germany	84.4	72.5	4.53

Employment

In 2007, almost two-thirds of resident of working age in Lithuania were employed; this figure was close to the EU average. The highest employment rates were in the Netherlands and Sweden, the lowest – in Malta, Poland and Hungary. As regards the employment rate of elderly persons (aged 55–64), Lithuania is attributable to the group of countries where this rate is the highest. The employment rate of the elderly grew from 43.5 % in 2006 to 44.7 % in 2007. The female employment rate in Lithuania was also among the highest in the EU, and today it already exceeds the level set in the Lisbon Strategy. However, other activity indicators are not very optimistic; the employment rate still differs considerably from the objectives set in the Lisbon Strategy.

Employment and unemployment in EU Member States, 2007

Per cent

	Employment rate of the population aged 15–64	Employment rate of elderly persons (aged 55– 64)	Unemployment rate
EU-27	65.4	44.7	7.1
Belgium	62.0	34.4	7.5
Bulgaria	61.7	42.6	6.9
Czech Republic	66.1	46.0	5.3
Denmark	77.1	58.6	3.8
Germany	69.4	51.5	8.4
Estonia	69.4	60.0	4.7
Ireland	69.1	53.8	4.6
Greece	61.4	42.4	8.3
Spain	65.6	44.6	8.3
France	64.6	38.3	8.3
Italy	58.7	33.8	6.1
Cyprus	71.0	55.9	3.9
Latvia	68.3	57.7	6.0
Lithuania	64.9	53.4	4.3
Luxembourg	64.2	32.0	4.1
Hungary	57.3	33.1	7.4
Malta	55.7	28.3	6.4
Netherlands	76.0	50.9	3.2
Austria	71.4	38.6	4.4

	Employment rate of the population aged 15–64	Employment rate of elderly persons (aged 55–64)	Unemployment rate
Poland	57.0	29.7	9.6
Portugal	67.8	50.9	8.0
Romania	58.8	41.4	6.4
Slovenia	67.8	33.5	4.9
Slovakia	60.7	35.6	11.1
Finland	70.3	55.0	6.9
Sweden	74.2	70.0	6.1
United Kingdom	71.3	57.4	5.3

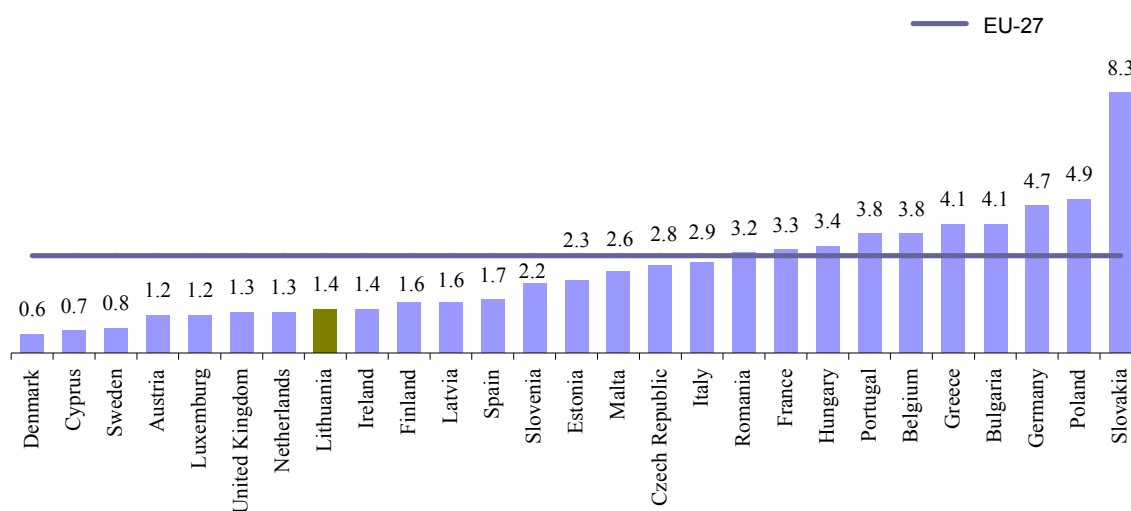
Up to the year 2008, unemployment in the European Union has been decreasing. In 2007, the unemployment rate in EU countries made up 7.1 %. The lowest unemployment rates were in the Netherlands – 3.2, Denmark – 3.8, Cyprus – 3.9 %, Luxemburg – 4.1 %, Lithuania – 4.3 %, while the highest – in Slovakia (11.1 %), Poland (9.6 %) and Germany (8.4 %). In 2007, the unemployment rate in Lithuania was the lowest among the Baltic States; in Estonia and Latvia, unemployment rates made up 4.7 and 6 % respectively.

Based on Eurostat's data, in December 2007, the number of the unemployed in 27 EU Member States was 16.2 million. The unemployed in Lithuania made up 0.04 % of all EU unemployed.

As regards social risk, a very important indicator is long-term unemployment. The long-term unemployment rate in Lithuania was among the lowest in the EU. The consistent decrease in long-term unemployment in recent years was conditioned by processes which have started after Lithuania's accession to the EU and joining the open labour market, as well as given the intensified emigration of persons of working age. When comparing the unemployment rates of the old and the new EU Member States, opposite trends may be observed; in 2001, unemployment rates in the new EU Member States were higher than in the old ones, and later were gradually decreasing, whereas the respective indicators of the old EU Member States grew in 2006–2007. However, as the world financial crisis and an economic slowdown have started in 2008, unemployment rates started gradually growing again.

Long-term unemployment rate, 2007

Per cent, against the active population



Standard of living

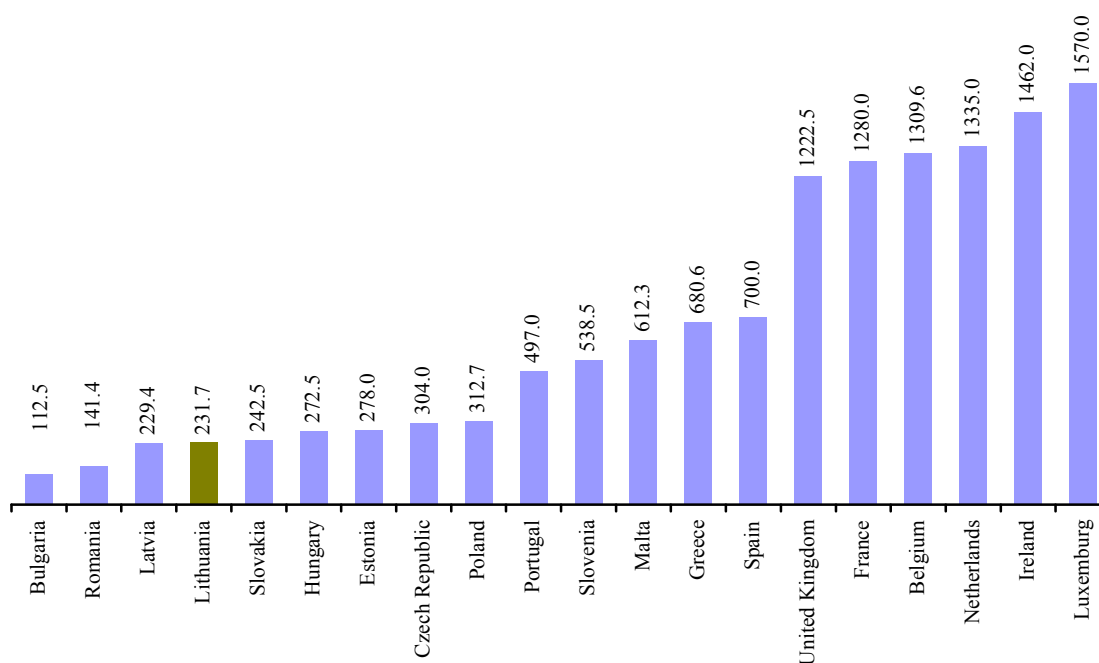
According to the Household Budget Survey data, average disposable income of households in Lithuania in 2007 made LTL 859 per capita per month. In 2007, against 2006, disposable income

grew by 26.2 %. Consumer prices over the year increased as well (by 5.7 %); thus, real household income grew by 19.4 %.

After the members of the surveyed households had been grouped by the level of consumption expenditure, it was found out that consumption expenditure of one-tenth of households which had spent on consumption the most was 9.3 times higher than expenditure of one-tenth of households who had spent on consumption the least. Against 2006, this difference broadened, which means that the gap between the rich and the poor was increasing as well.

In the course of the Household Budget Survey, households were asked to assess their standard of living. 3 % of households classified themselves as living above the average level, 74 % – as belonging to the average level, 21 % – as living below the average level, while 2 % – as living in poverty. The minimum monthly wage in Lithuania was among the lowest in the EU (a lower minimum monthly wage was only in Latvia, Romania and Bulgaria). The highest minimum monthly wage in 2007 was in Luxembourg (EUR 1570) and Ireland (EUR 1462).

Minimum monthly wage in some EU Member States, as of 1 January 2008 EUR

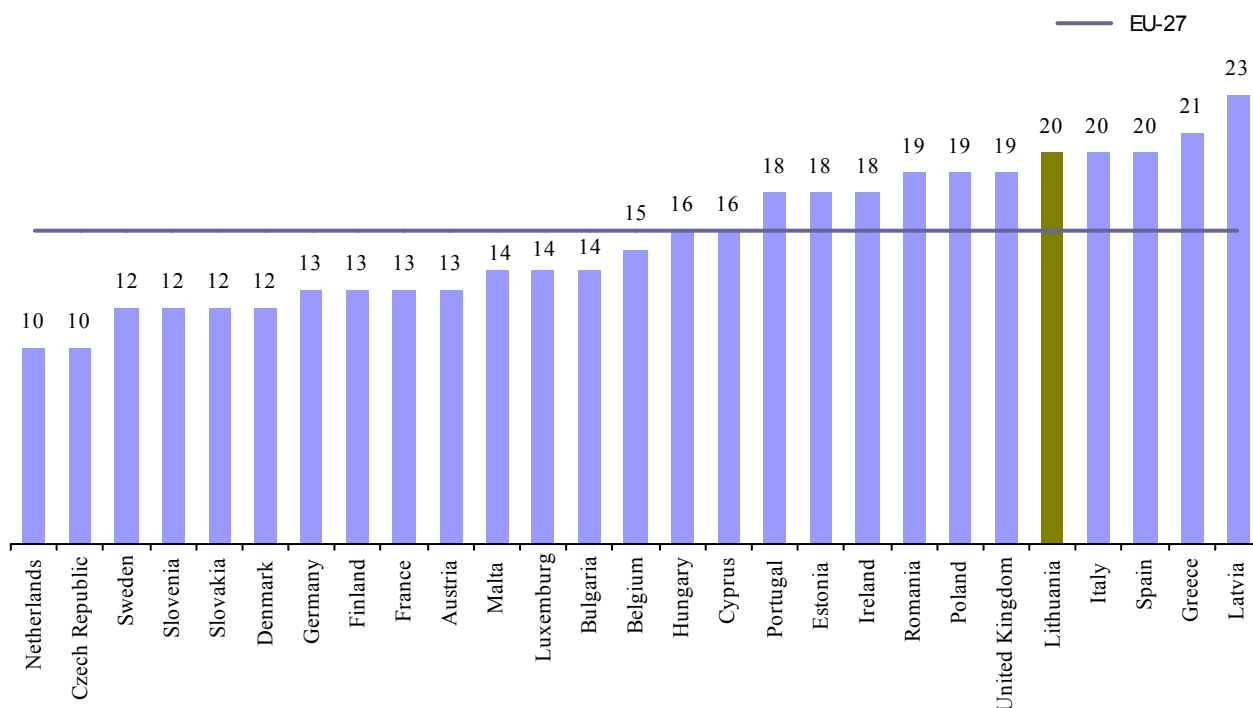


The at-risk-of-poverty rate in Lithuania is one of the highest in the EU; however, it is also high in some of the old EU Member States – Greece, Spain, Italy. Poverty in Lithuania, as well as across the EU, is characterised by the so-called feminisation of poverty, i.e., due to longer female average life expectancy and the still prominent gender pay gap (and considerably lower disposable income, conditioned by it), a large share in the at-risk-of-poverty group is made up of households of older women. Alongside such households, in 2007, a considerable share in the at-risk-of-poverty group was made up of households of parents bringing up more than three children or single parents bringing up children – their disposable income was much lower than that of other households.

Another important factor, whose importance will be further growing in future, impacting on the indicator of the standard of living and poverty is the aging population of Lithuania, as well as of the entire EU. The economic burden on persons of working age has been increasing, i.e. the share of dependent persons (especially the older ones) has been growing, at the same time stimulating taking certain actions, which would ensure solidarity of generations, i.e. increasing the rates of social insurance contributions, prolonging the working age, etc.

At-risk-of-poverty rate¹ in EU Member States, 2006

Per cent



Economy

The development of the Lithuanian economy was among the fastest in the European Union. Based on provisional data, in 2007, against 2006, gross domestic product (GDP) reached LTL 96 773 million at current prices, i.e. grew by 8.8 % (for the calculation of the change, a chain-linked value added volume was used).

In 2001–2007, as compared with other EU countries, Lithuania was among the leading ones as regards the growth in GDP. In 2007, the fastest GDP growth was recorded in Slovakia (10.4 %), Latvia (10.3 %) and Lithuania (7.9 %), which considerably exceeded economic growth rates of the rest of the new EU Member States. In the EU (27 Member States), the economic growth reached 2.9 %.

In 2007, per capita GDP at current prices, price changes adjusted, made LTL 28 661, which is by 9.3 % more than in 2006.

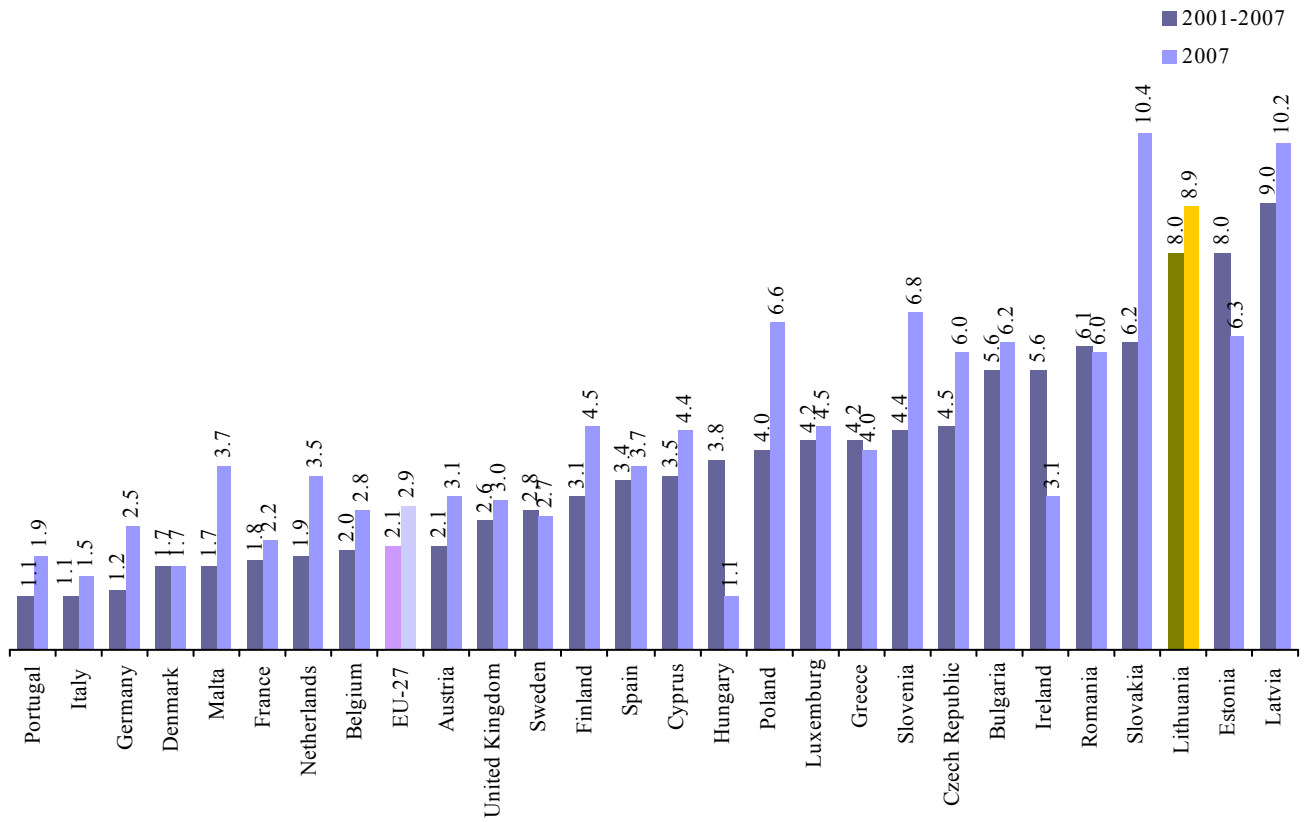
It was only in I half-year 2008 that GDP growth rates started slowing down due to general economic stagnation trends in Europe and in the world, as well as due to inner factors. In 2008, the GDP growth rate dropped from 7 % in the first quarter to 3.1 % in the third quarter (as compared to respective quarters of the previous year).

The economic development level of EU countries is more clearly reflected by per capita GDP expressed in Purchasing Power Standards (a conditional currency, allowing real comparisons of GDP between countries), which is calculated by Eurostat. According to this indicator and based on provisional calculations, per capita GDP generated in Lithuania made up 61.7 % of the EU average.

¹ The share of persons whose comparable disposable income (after the payment of social contributions) is lower than the poverty line.

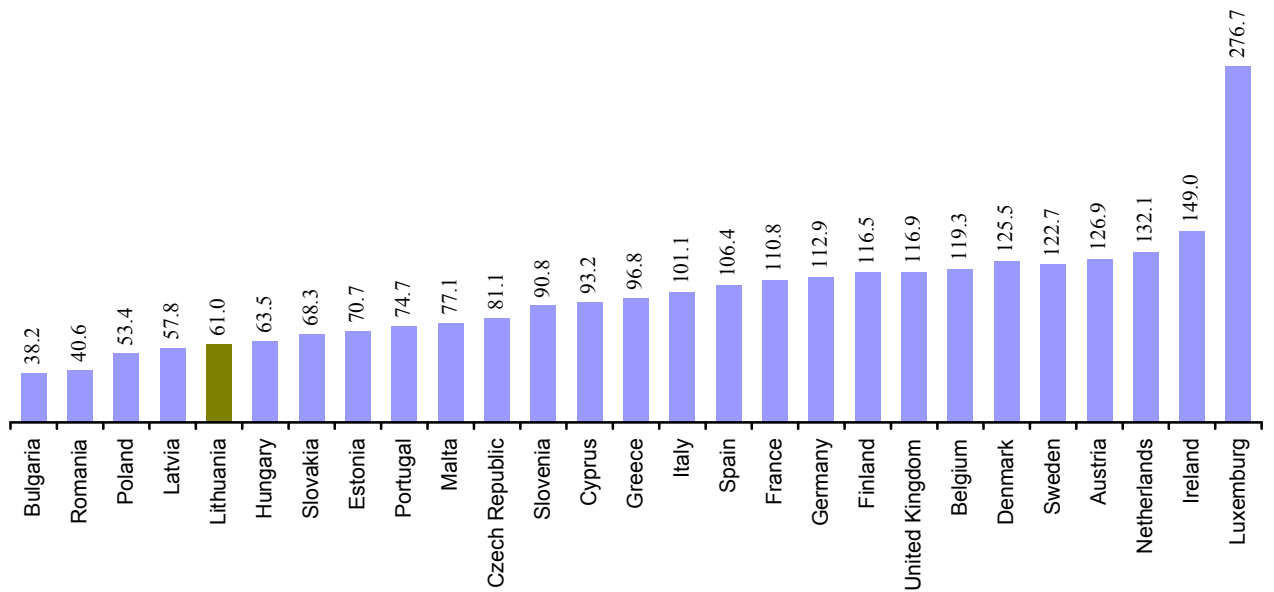
Changes in GDP in 2007 and average for 2001–2007

Per cent



Per capita GDP in Purchasing Power Standards, 2007

EU 27 – 100 per cent



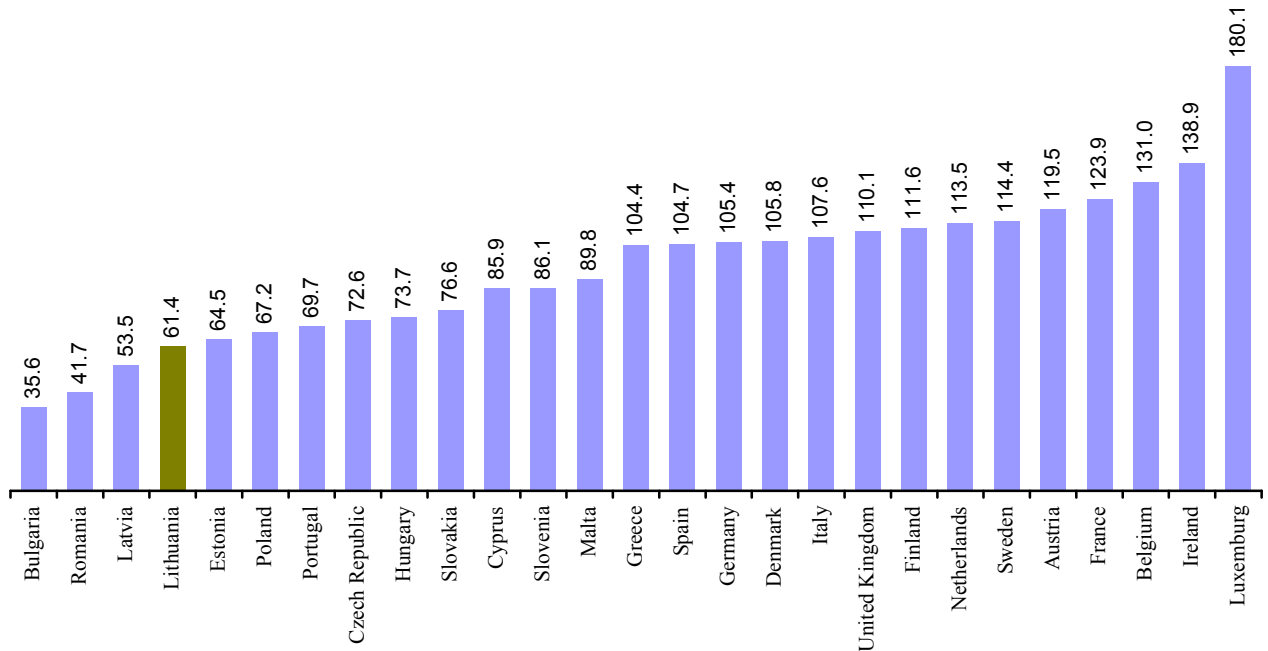
Note: Based on revised data as of 10 April 2008.

As regards labour productivity, the new EU Member States, including Lithuania, considerably lag behind the old EU Member States. If average labour productivity in the EU equates to 100 %, the poorest labour productivity has been observed in Bulgaria and Romania, the Baltic States and Poland, while the highest (among the new EU Member States) – in Cyprus and Malta.

Poor labour productivity in the new EU Member States conditions a relatively low remuneration for work, while the economic development level of the countries conditions broad differences in minimum monthly wage rates.

Labour productivity per person employed, 2007

EU 27 – 100 per cent



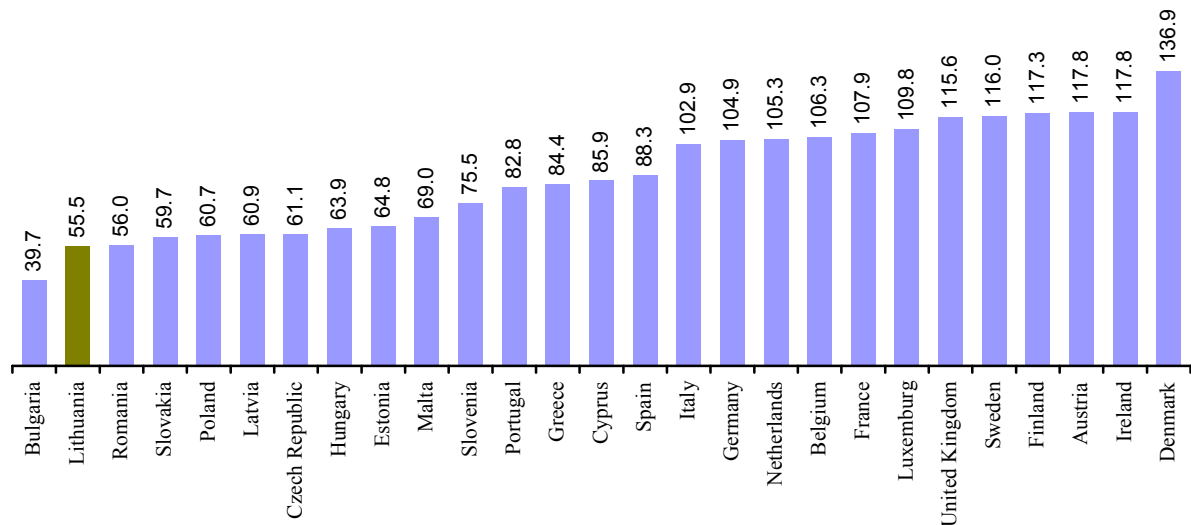
The recent changes in prices are related to the presence of Lithuania within the common economic area of the European Union, revival of exports and imports, a faster growth in the income of the population and domestic demand. Based on the results of the European Comparison Programme (ECP)², reflecting actual price ratios in certain countries, the gap between the prices in Lithuania and the average price level in the EU has been decreasing. Based on the provisional data of the ECP, the price level index in Lithuania, against the EU average³, reached about 55.5 %. The relative price level, against the EU average, shows the national price level. In case it exceeds 100, the country is considered to be an “expensive” one, and vice versa. The price level index in Lithuania is among the lowest in the EU, which means that the trend of price convergence will persist in future, i.e. the growing prices in Lithuania will be approaching the EU average.

² International comparisons of prices for goods and services are carried out using purchasing power parities (PPP), not the official ratios of national currencies.

³ Relative price levels (relative price levels of household final consumption, including indirect taxes), as ratios of prices to national currencies, are used for the recalculation of economic indicators in national currency to a common currency, called Purchasing Power Standards (PPS). The relative price level shows the national price level as compared with the EU average.

Relative price levels in EU Member States, 2007

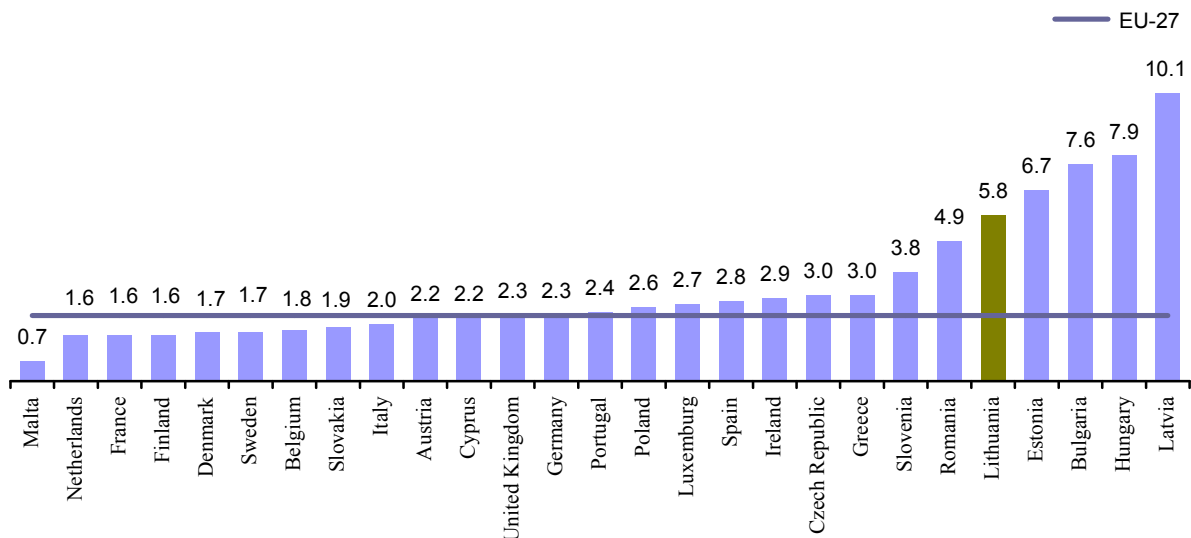
EU 27 – 100



For the estimation of inflation in the EU, a Harmonised Index of Consumer Prices (HICP) is used. In 2007, among the new EU Member States, visibly higher inflation was observed in Bulgaria, Hungary and all Baltic States. The main trend in the recent three years – an increase in inflation was observed only in the Baltic States; however, in 2001–2007, the price growth was faster in Central European countries.

Changes in prices for goods and services calculated based on the HICP, 2007

Per cent



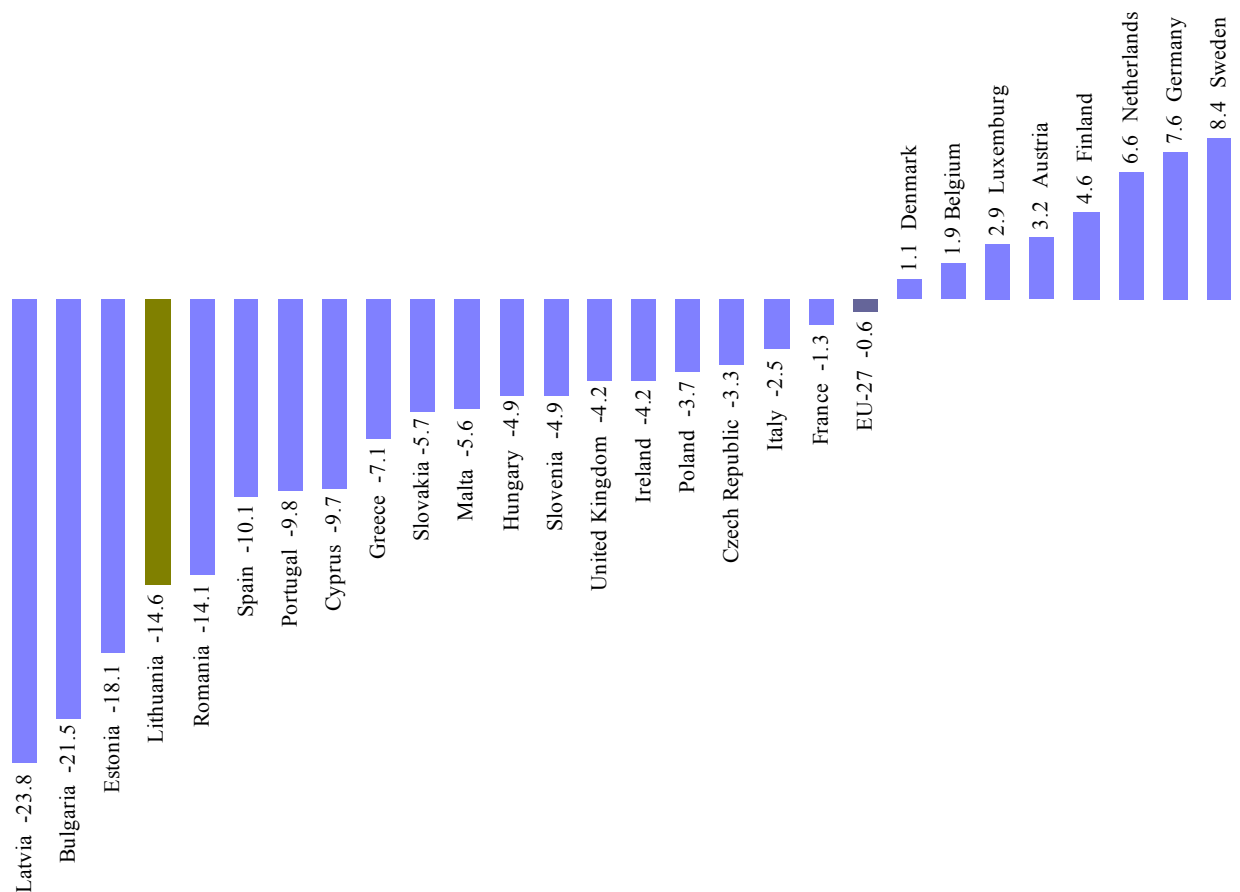
Among the old EU Member States, higher inflation in 2007 was observed in Greece (3 %), Ireland (2.9 %), Spain (2.8 %) and Luxembourg (2.7 %). High inflation in the said countries persisted in 2008, which may be related to the general price growth for energy sources and food products on international markets. The outbreak of the world financial crisis and a slowdown in the

economic growth, as well as a drop in oil prices in the second half of 2008 conditioned a certain decrease in the inflation rate.

In Lithuania, as well as in the rest of EU countries, the current account balance (CAB) of the balance of payments over the recent eight years remained in deficit (in I half-year 2008 – about - 1 %), especially in the new EU Member States. The CAB was in surplus in Germany, the Netherlands, Sweden, Austria. Although the CAB deficit in Lithuania, against GDP, was lower than in Latvia (-22.9 %) and Estonia (-17.4 %), it was still rather high – 13.7 % and considerably differed from the EU average. A crucial impact on the Lithuanian CAB was made by the foreign trade balance: exports of goods exceeded 70, imports – 80 %. The largest share of exports from Lithuania falls within mineral products, machinery and equipment, chemical products, products of vegetable origin and finished products, while that of imports into Lithuania – crude oil and natural gas, machinery and equipment, road vehicles.

Current account of the balance of payments, deficit/surplus, ratio to GDP, 2007

Per cent



*Data on Ireland, Greece, Czech Republic and France are provided for the year 2006.

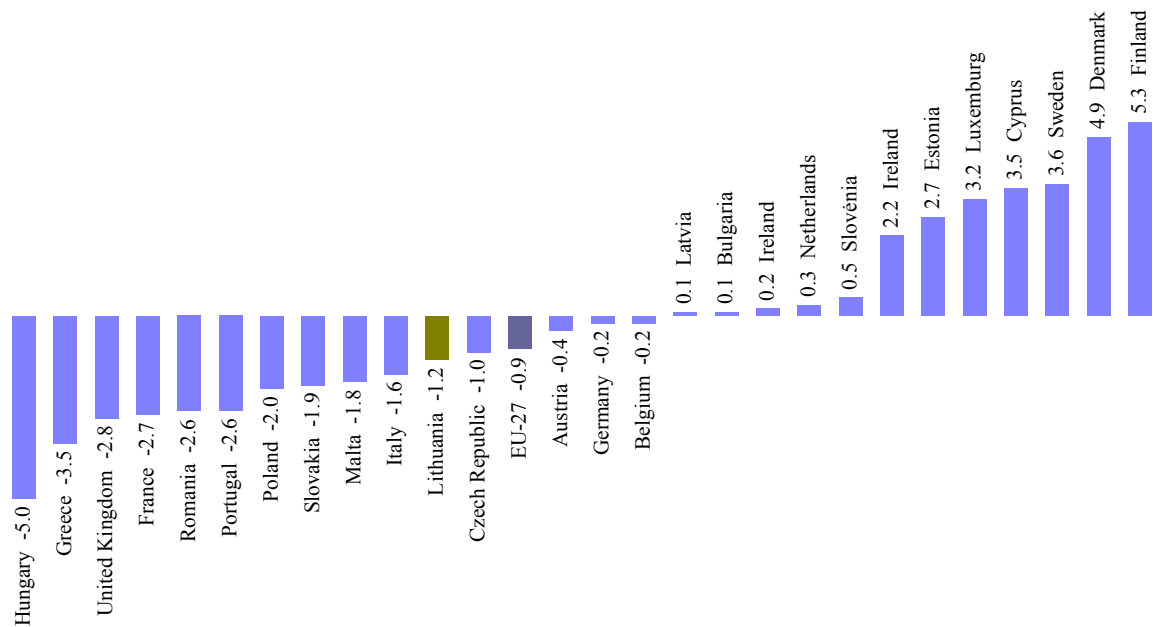
EU institutions vigilantly monitor the budget deficit and debt of the EU Member States. The budget deficit may provide information on the efficiency of exploitation of national resources and management of national expenditure. The main reasons for the budget deficit may be revenue collection problems, excessive expenditure or unsuitable control. According to the criteria set in the Maastricht Treaty, the general government deficit may not exceed 3 %, debt – 60 % of GDP.

In 2007, the budget of some countries (Finland, Denmark, Sweden, Bulgaria, Estonia) was in surplus. In Lithuania, the budget deficit was not high, while the budget deficit of some old (Greece, France) and new (Hungary, Poland) EU Member States, as compared with GDP, was higher.

The general government deficit in Lithuania over 2001–2006 had been gradually decreasing and it was only in 2007 that it slightly – by 1.2 % – increased due to additional liabilities assumed by the general government. However, as quite a notable slowdown in the economic growth has started in 2008, the general government deficit has been growing. Moreover, after the Ignalina Nuclear Power Plant is decommissioned in 2010, as electric power and fuel for thermal power plants will have to be imported, the deficit of the current account of the balance of payments in the country should increase even more, which will, in turn, stimulate an increase in the general government deficit. In expert opinion, the general government deficit may reach or even exceed the allowable threshold of 3 %.

General government deficit / surplus, ratio to GDP, 2007

Per cent



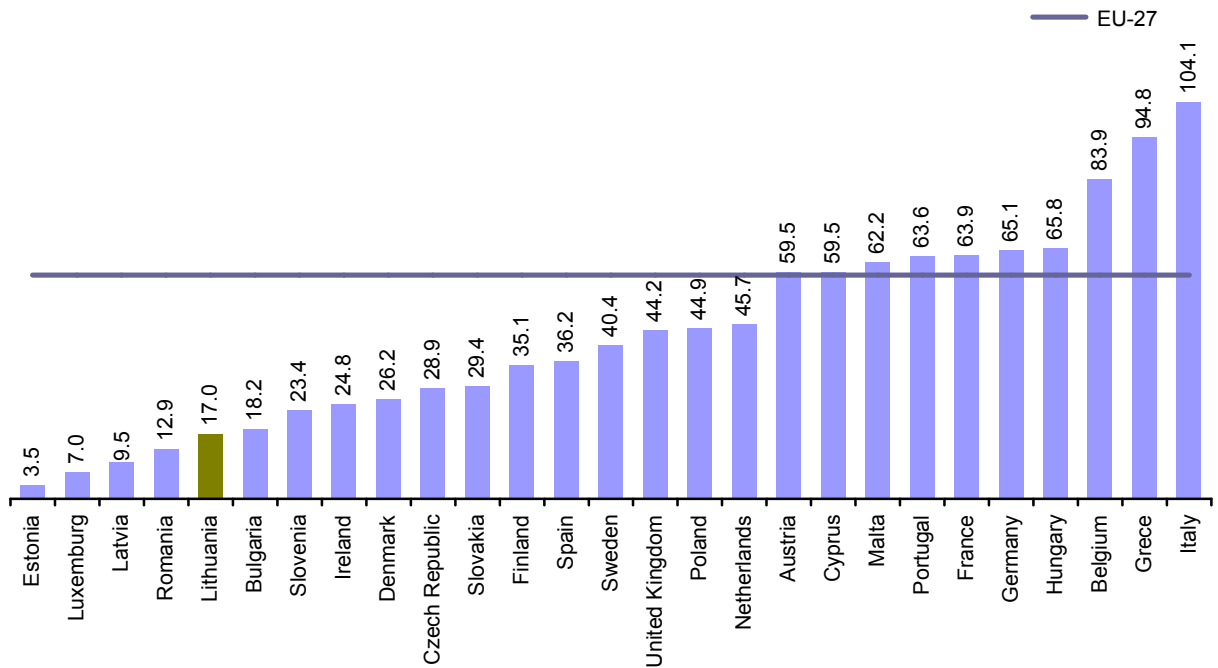
In the times of economic reforms, all countries for which a transitional period had been set were constantly lacking assets for carrying out reforms; therefore, they borrowed funds from international financial institutions and foreign banks. However, the general government debt in the new EU Member States, estimated as a ratio of the debt to GDP, is not high, with the exception of Hungary, Malta and Cyprus, where the level of the debt exceeds the EU average, as well as some high-income countries (Germany, Belgium).

All Baltic States are indebted relatively easily, Estonia – the least in the EU.

In 2001, the gross general government debt in Lithuania, against GDP, reached 23.1 %; in subsequent years, it was gradually decreasing – to make up 17.3 % in 2007.

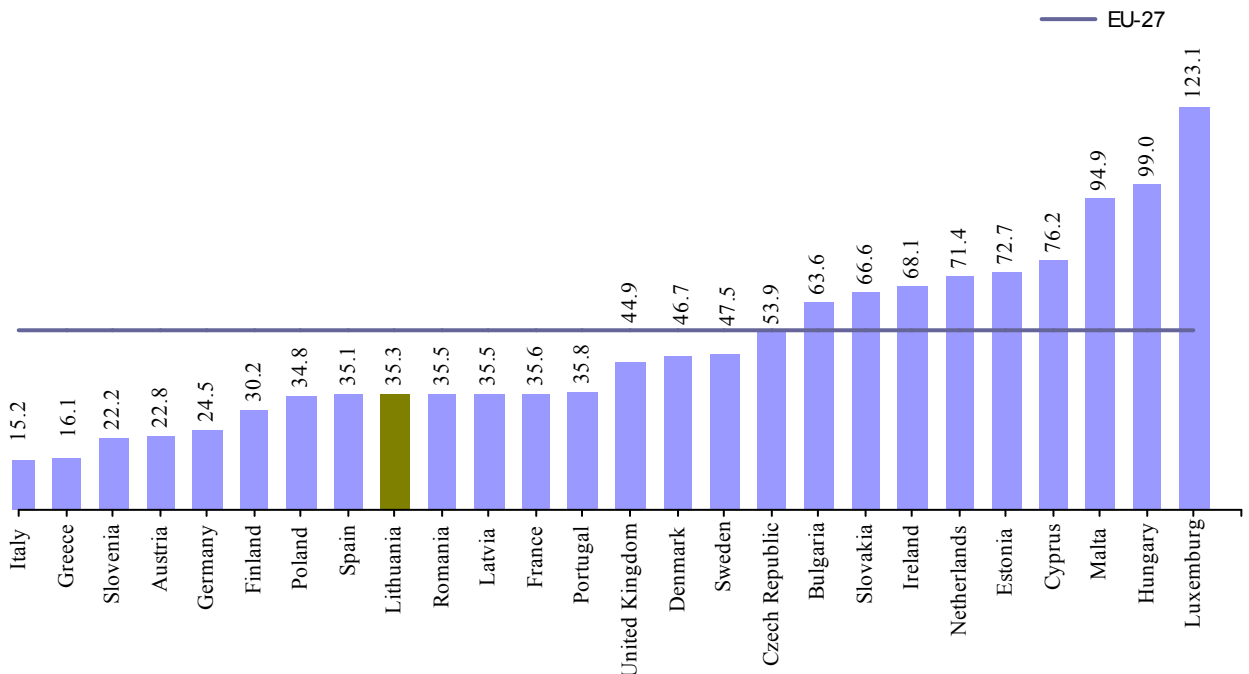
Consolidated gross general government debt, 2007

Per cent, against GDP



Foreign direct investment, end of 2006

Per cent, against GDP



Source: Eurostat's data.

As regards accumulated foreign direct investment, against GDP, the position of Lithuania was rather mediocre, as compared with the rest of EU Member States. The main countries investing in Lithuania are Poland, Denmark, Sweden, Russia and Germany. The highest investment fell within manufacturing (manufacture of petroleum products and chemicals), financial intermediation,

transport, storage and communication. As compared with neighbouring countries, as of 1 January 2008, foreign direct investment accumulated in Lithuania remained lower than those in Estonia, where FDI made EUR 11.3 billion, while in Latvia the said indicator (EUR 7.2 billion) remained the poorest among the three Baltic States.

Science and technology

In recent years, expenditure on research and development (R&D) in Lithuania has been increasing, while in 2006, against 2005, it grew by more than 21 %. In 2007, expenditure on R&D in all sectors made LTL 803.1 million, while in the general government and higher education sectors – LTL 574. In 2007, the number of persons engaging in R&D activities made about 18.5 thous., of whom about 6.3 thous. had a scientific title or an academic degree. In recent five years, expenditure on R&D, against GDP, grew from 0.67 to 0.83 percentage points.

Expenditure on R&D, 2006

Per cent, against GDP

Country	All sectors	Private sector	General government sector	Higher education sector
EU-27	1.84	1.17	0.25	0.40
Belgium	1.83	1.24	0.16	0.41
Bulgaria	0.48	0.12	0.31	0.05
Czech Republic	1.54	1.02	0.27	0.25
Denmark	2.43	1.62	0.16	0.63
Germany	2.53	1.77	0.35	0.41
Estonia	1.14	0.51	0.15	0.46
Ireland	1.32	0.89	0.09	0.34
Greece	0.57	0.17	0.12	0.27
Spain	1.20	0.67	0.20	0.33
France	2.10	1.32	0.36	0.38
Italy	1.09 ¹	0.54	0.19	0.33 ¹
Cyprus	0.42	0.09	0.12	0.18
Latvia	0.70	0.35	0.11	0.24
Lithuania	0.80	0.22	0.18	0.40
Luxembourg	1.47	1.25	0.19	0.04
Hungary	1.00	0.48	0.25	0.24
Malta	0.54	0.34	0.03	0.18
Netherlands	1.67	0.96	0.24	0.49 ²
Austria	2.49	1.66	0.13	0.65
Poland	0.56	0.18	0.21	0.17
Portugal	0.83	0.35	0.12 ¹	0.29 ¹
Romania	0.45	0.22	0.15	0.08
Slovenia	1.59	0.96	0.39	0.24
Slovakia	0.49	0.21	0.16	0.12
Finland	3.45	2.46	0.32	0.65
Sweden	3.73	2.79	0.17	0.76
United Kingdom	1.78	1.10	0.18	0.46

¹2005

²2003

One of the most general indicators, used for the assessment of innovation activities in EU countries, is the Global Innovation Index (GII). The Lithuanian GII makes up 0.27, and

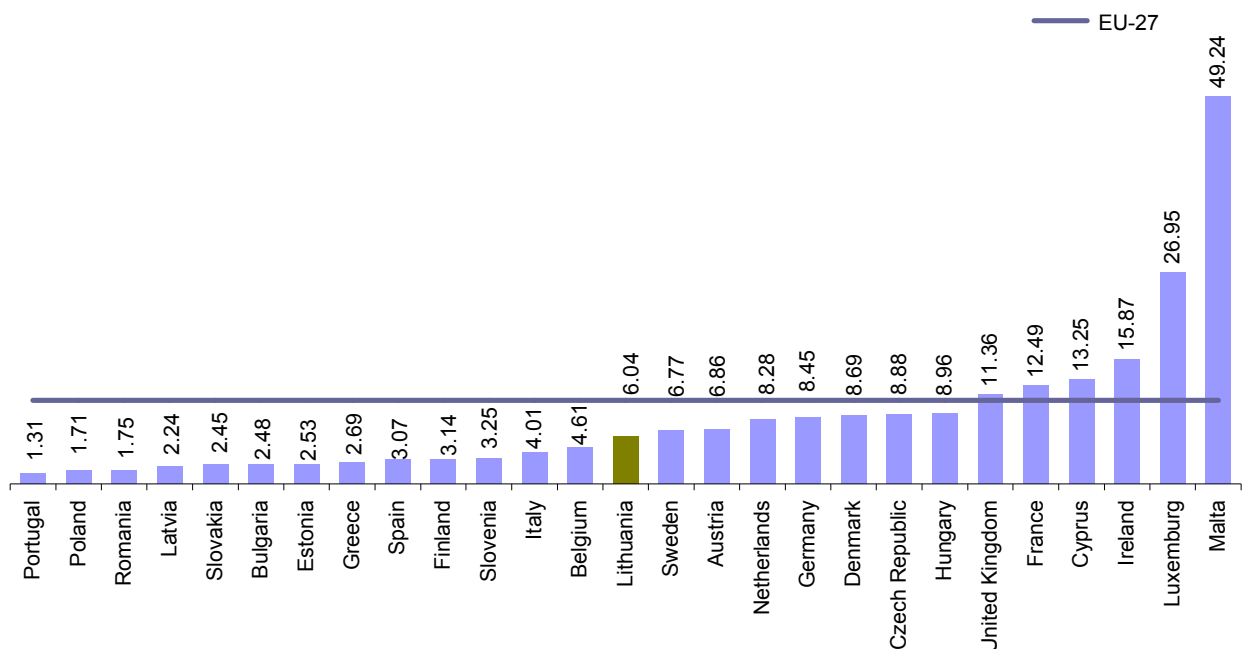
considerably lags behind the EU average (0.45); however, it corresponds to the general situation in the new EU Member States. The highest GII was in Sweden (0.73).

When assessing the changes in the GII, it may be observed that Lithuania falls within the group of countries which are successfully approaching the EU innovation activity level. Such a summary assessment of Lithuania was conditioned by the increasing number of graduates in the field of science and technologies, the share of people having higher education, cooperation of enterprises, public investment in R&D.

Five EU Member States – Denmark, Finland, Germany, Sweden and the United Kingdom – hold dominant positions in the field of innovation policy alongside the USA and Japan. Meanwhile, most of the rest of EU Member States pursue the level achieved by the leaders. Expectedly, the three new EU Member States – Estonia, the Czech Republic and Lithuania – over a decade will reach the average EU level.

Exports of high-tech products, 2007

Per cent, against total exports



Information society

In terms of provision with Internet access, Lithuania slightly lagged behind the EU average, while by the use of mobile communication services it ranked second in the EU. Over 2007, the number of Internet subscribers in Lithuania grew by 39.4 %, and at the beginning of 2008 reached 581.9 thousand (this figure excludes 1463.7 thousand subscribers who used the WAP service). Based on the data of the Communications Regulatory Authority, the number of subscribers using broadband communication services over a year grew by 37.7 %, and at the beginning of 2008 made 507.6 thousand (penetration rate – 15.1 %). Based on the data of the Progress report on the single European electronic communications market 2007, the average broadband penetration rate in the EU, as of 1 January 2008, made up 20 %.

The indicators of the use of information technologies in Lithuania are poorer than EU averages. According to Eurostat's data, in 2007, the share of persons permanently using the Internet in Lithuania made up 45 %, while the EU average (25 EU Member States) made up 53 %; respectively, the share of households having Internet access made up 44 % (EU average – 56 %), the share of persons who had purchased or ordered goods of services via the Internet in the recent 3 months – 4 % (EU average – 24 %), the share of persons who had used e-government services – 17.6 % (EU average – 28.4 %). It is mentionable that the share of enterprises communicating with

public authorities via the Internet in 2007 in Lithuania (71 %) was higher than the EU average (58 %).

The share of enterprises having websites in Lithuania considerably lags behind the EU average. In 2007, the share of such enterprises, against all country's enterprises, in Lithuania made up 48 % (EU average – 63 %). The highest share of enterprises having websites was in Sweden – 85 %, and Denmark – 84 %, while the lowest – in Romania (just 28 %). It is mentionable that in the said Nordic countries the share of the Internet turnover in the total turnover was much higher than in other counties, including Lithuania.

At the moment, Lithuania cannot boast its e-government indicators – it still considerably lags behind the EU average. The fact that the fields of e-initiatives and e-government refuse to recognise the concepts of a geographical or political province, which makes a breakthrough absolutely possible, is clearly demonstrated by the examples of Estonia and Malta, which, alongside Austria, are the leaders in this field.

Indicators of Internet access in EU Member States, 2007

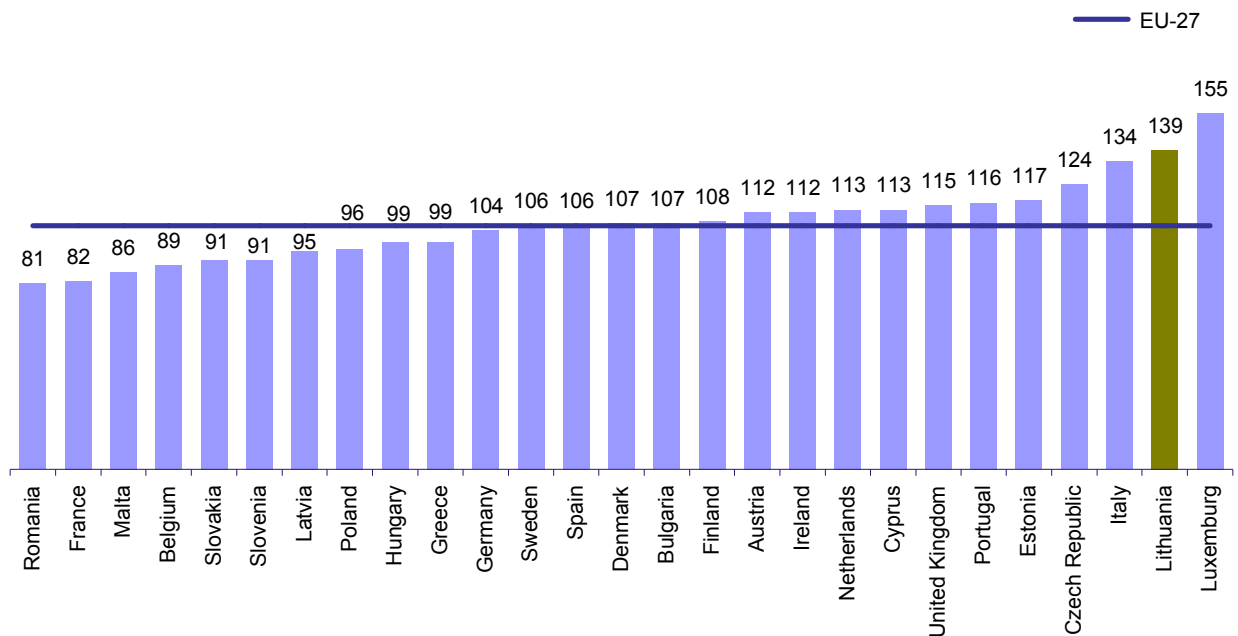
Country	Broadband Internet connection per 100 population	Share of enterprises having broadband Internet connection, per cent	Share of households having Internet access, per cent	Share of households having broadband Internet connection, per cent
EU-27	18	77	54	42
Belgium	24	86	60	56
Bulgaria	6	61	19	15
Czech Republic	12	77	35	28
Denmark	37	80	78	70
Germany	21	80	71	50
Estonia	20	78	53	48
Ireland	16	68	57	31
Greece	7	72	25	7
Spain	17	90	45	39
France	22	89	49	43
Italy	16	76	43	25
Cyprus	11	69	39	20
Latvia	12	57	51	32
Lithuania	13	53	44	34
Luxembourg	25	81	75	58
Hungary	12	70	38	33
Malta	14	89	54	44
Netherlands	33	87	83	74
Austria	18	72	60	46
Poland	7	53	41	30
Portugal	15	76	40	30
Romania	7	37	22	8
Slovenia	15	79	58	44
Slovakia	7	76	46	27
Finland	29	91	69	63
Sweden	28	87	79	67

The level of competitiveness and the adequacy of the structure of the economy in the countries in the context of information society may be demonstrated through the indicators of imports and exports of information technology products. In this respect, the indicators of Lithuania are not very good. In 2007, based on the data of customs declarations and Intrastat reports, the value

of exported IT goods made LTL 1907.8 million, while the value of imported IT goods – LTL 4057.9. In 2007, against 2006, the exports of IT goods grew by 1.4 %, imports – by 19.1 %. In 2007, exports of IT goods made up 4.4 % of total Lithuanian exports, in 2006 – 4.8 %. In 2007, imports of IT goods made up 6.6 % of total imports in Lithuania, in 2006 – 6.4 %. In 2007, the largest share of IT goods was exported to Russia (22.2 % of total IT exports), Latvia (21 %), Estonia (12.9 %). The largest share of IT goods was imported from the Netherlands (16.1 % of total IT imports), Germany (12.8 %), Finland (11.6 %).

The number of active public mobile telephone service subscribers over a year grew by 4.3 %, while the penetration rate (the number of active public mobile telephone service subscribers per 100 population) at the end of 2007 reached 146.2. Based on the data of the Progress report on the single European electronic communications market 2007, Lithuania fell within the six EU Member States where the mobile communication penetration rate over a year grew by more than 10 %. A higher growth rate was observed in Germany, Estonia, Latvia, Italy and Slovakia.

Number of active public mobile telephone service subscribers per 100 population, 2006

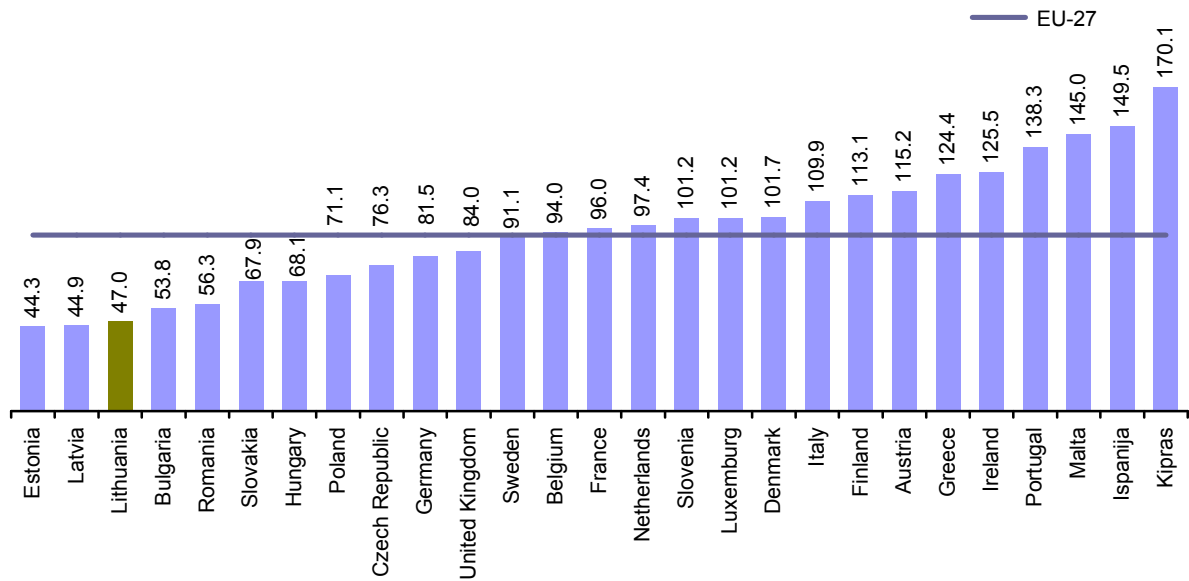


Environment

As regards important EU structural indicators, Lithuania considerably lagged behind the EU average, which is characteristic of most of the new EU Member States. On the one hand, carbon dioxide, methane and nitrogen oxide emission limits are not fully used and a considerable reduction thereof (more than twice) was observed over an established period. Quite a number of Lithuanian enterprises sell their tradable emission permits. On the other hand, the efficiency of energy consumption in the country is still relatively poor. The amount of energy required for the production of EUR 1000 of GDP (measured in kilogram of oil equivalent) in Lithuania is about four times higher than the EU average.

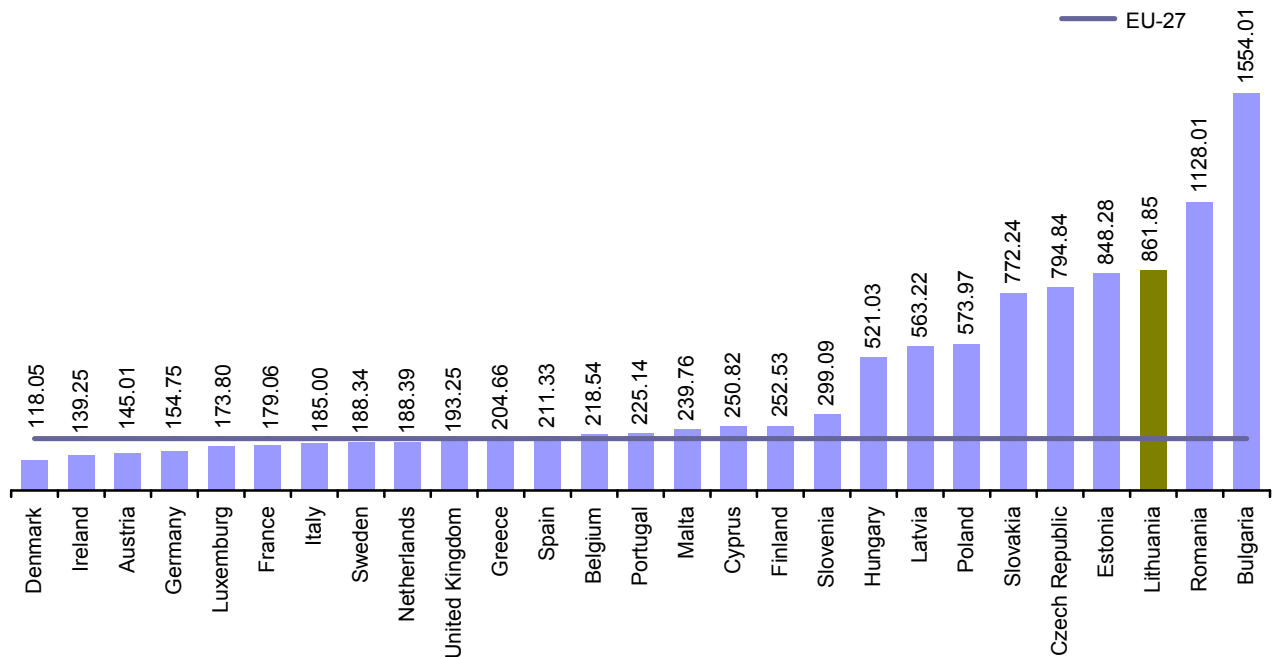
Under the Kyoto Protocol, the EU resolved to reduce emissions of greenhouse gases by 8 %, as compared with the base year set in the protocol, in 2008–2012. The reduction rate for each country is set based on the EU Burden Sharing Agreement, which allows some countries to increase emissions provided other countries reduce them respectively. Eight out of ten new EU Member States have chosen other reduction targets and base years, as allowed under the Kyoto Protocol. Total emissions are provided as indices, the base year equates to 100.

Greenhouse gases, 2006



The indicator of energy intensity is a ratio of the gross inland energy consumption to GDP (at constant prices) for a given calendar year. It measures the efficiency of gross energy consumption. The gross inland consumption of energy is calculated as a sum of the gross inland consumption of five types of energy: coal, electricity, oil, natural gas and renewable energy sources. The energy intensity ratio is determined by dividing the gross inland consumption by GDP. Since gross inland consumption is measured in kgOE (kilogram of oil equivalent), while GDP – in EUR 1000, energy intensity is measured in kgOE per EUR 1000.

Energy intensity, 2006



A rather high vehicle-to-population ratio in Lithuania at the end of 2007 tallied with the EU average. The number of private cars per 1000 population over the recent six years grew by more than 40 %. Such a rapid growth was determined by the second hand car business that is well-developed in Lithuania, rapid economic growth in the country and a good road infrastructure. At the

end of 2007, the length of highways in the country made 309 km, the length of class E roads – 1649 km, that of local roads – 21 320 km. Over six years, the length of E roads increased by 160 km.

Number of private cars per 1000 population, end of 2001 and 2007

