

# WORLD TRADE ORGANIZATION

RESTRICTED

WT/ACC/SPEC/LTU/8/Rev.1

9 October 1997

(97-4308)

**Working Party on the  
Accession of Lithuania**

Original: ~~English~~

## DRAFT REPORT OF THE WORKING PARTY ON THE ACCESSION OF LITHUANIA TO THE WORLD TRADE ORGANIZATION

### Revision

#### Introduction

1. The Government of Lithuania applied for accession to the General Agreement on Tariffs and Trade (GATT 1947) in January 1994. At its meeting on 22-23 February 1994, the GATT 1947 Council of Representatives established a Working Party to examine the application of the Government of Lithuania to accede to the General Agreement under Article XXXIII of the General Agreement. Following the conclusion of the Uruguay Round, Lithuania requested accession to the World Trade Organization (WTO) under Article XII of the Marrakesh Agreement Establishing the World Trade Organization. In accordance with the Decision adopted by the WTO General Council on 31 January 1995, the existing GATT 1947 Accession Working Party was transformed into a WTO Accession Working Party. The terms of reference and the membership of the Working Party are reproduced in document WT/ACC/LTU/1/Rev.4.

2. The Working Party met on 10 November 1995; 25-26 March and 7 October 1996; 26 March 1997 and ..... under the Chairmanship of Mr. Peter Witt (Germany).

#### Documentation Provided

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Regime of Lithuania (L/7551), the questions submitted by Members on the foreign trade regime of Lithuania together with the replies thereto and other information provided by the Lithuanian authorities (WT/ACC/LTU/2 and Addendum 1; WT/ACC/LTU/4; WT/ACC/LTU/5; WT/ACC/LTU/7 and Addendum 1; WT/ACC/LTU/9; WT/ACC/LTU/10; WT/ACC/LTU/12; WT/ACC/LTU/15 and ... ), including the legislative texts and other documentation listed in Annex I.

Introductory Statements

4. In his introductory statement, the representative of Lithuania noted that his country was small and heavily dependent on foreign trade. Since restoration of independence in 1990, the centrally planned system in force had been effectively replaced by a market-oriented economy. Lithuania had established a new banking system and its own currency and was proceeding on fundamental economic reforms, including the enactment of new legislative measures, privatization, deregulation of prices and trade, in close cooperation with international institutions. However, economic transformation could only be successful if supported by integration into the world economy and the international trading system based on the principles of the WTO.

5. Lithuania's foreign trade patterns had also changed significantly since 1990. The share of trade with countries in the Commonwealth of Independent States had declined substantially while trade flows with other countries had increased. Lithuania's overall balance of payments was in surplus despite a trade deficit. Lithuania had resisted protectionism in a period of difficult economic transition. The foreign trade regime would be liberalized further. Several trade agreements had been signed, reducing barriers to trade, and other agreements were under negotiation. Accession to the WTO was a matter of highest priority as Lithuania sought integration into the world economy on the basis of internationally recognized rules, providing a stable and predictable environment and a precise legal framework for trade among nations. Lithuania's accession would also have positive repercussions for its trading partners.

6. In their opening remarks, members of the Working Party welcomed the request from Lithuania to accede to the WTO. Lithuania's integration into the world economy and trade on the basis of multilaterally agreed principles and rules was seen as an important element underpinning economic and institutional reforms in Lithuania.

7. The Working Party reviewed the economic policies and foreign trade regime of Lithuania and the possible terms of a draft Protocol of Accession to the WTO. The views expressed by members of the Working Party on the various aspects of Lithuania's foreign trade regime [ , and on the terms and conditions of Lithuania's accession to the WTO] are summarized below in paragraphs 8 to [169].

## ECONOMIC POLICIES

### Monetary and Fiscal Policy

8. The representative of Lithuania recalled that the direction of macro-economic policies during 1995 to 1997 was laid down in a Memorandum of State Economic Policy of the Republic of Lithuania, a copy of which had been provided to the Working Party. More specifically, he explained that the tax system consisted of corporate profit tax; personal income tax; value added tax; excises; taxes on natural resources, oil and gas; pollution tax; customs duties; a tax on fixed property; road tax; land taxes; stamp tax on activity (for example, for obtaining licences); and other taxes (inheritance tax, consular fees, etc.). The tax on pollution was meant to encourage investment in clean (environmentally-friendly) technologies cleaning technology. The tax was levied on legal and natural persons polluting the environment. The tax was specific and its level was established based on the quantity, degree of harm and standard of pollution. Since July 1995 (Government Resolution No. 1026), the corporate profit tax was reduced for certain sectors, notably those related to production of medicines and medical services, agricultural machinery, waste processing and disposal, new forms of energy, transportation, construction and telecommunications. Taxes on fixed property and the road tax were introduced in 1995. The road tax was levied on enterprise revenue (0-1 per cent) except for banks which paid a percentage of the margin earned.

~~{A member of the Working Party requested more specific information on the nature of the taxes listed, such as the "pollution tax", indicating if this tax was on persons, services or goods, or whether it was specific or *ad valorem*.}~~

### Foreign Exchange and Payments

9. The representative of Lithuania informed the Working Party that his country had recorded deficits in its merchandise trade equal to US\$324 million in 1994, US\$943 million in 1995 and US\$1,124 million in 1996. The national currency - the Litas - was pegged to the US Dollar (Llt. 4= US\$1) in agreement with the IMF; no plans existed to abandon the fixed exchange rate policy. He further stated that full Litas convertibility as well as current account convertibility was introduced on 3 May 1994 following the Government of Lithuania's acceptance of Article VIII of the Articles of Agreement of the IMF.

### Investment Regime

10. The representative of Lithuania said that foreign and domestic investment was in principle treated equally, except that foreign investment was prohibited in areas related to national security and defence, narcotic and poisonous substances, and the organizing of lotteries in accordance with the Law on Foreign Capital Investments in the Republic of Lithuania. In June 1996, Parliament (the Seimas) had approved an amendment to the Constitution allowing foreigners to purchase certain types of land (non-agricultural plots required for the construction and operation of buildings and facilities necessary for their direct activity).

11. The Law on Foreign Capital Investments stipulated that taxation of foreign enterprises be no less favourable than the rules applied to domestic natural and legal persons. Lithuania offered certain tax holidays. Enterprises established between 1 August 1995 and 1 April 1997, with foreign investment of minimum US\$2 million were exempt from profit (income) tax for the first three years and subject to a 50 per cent tax reduction for the following three years, starting from the day the first profit was achieved. Domestic and foreign small enterprises (number of employees not exceeding 50 and annual sales of no more than 500,000 Litas) received tax reductions amounting to 70 per cent for the first two years after their establishment and 50 per cent for each year thereafter. Companies involved in the sale of agricultural products were assessed profit tax at the rate of 10 per cent provided the agricultural items accounted for minimum 60 per cent of total sales of the enterprise. As from 1 April 1997, Lithuania exempted all profit of domestic or foreign enterprises spent on capital investments from profit (income) tax. Foreign investors had the right, having paid the taxes, to transfer the profit, income or dividends belonging to them by virtue of ownership to a foreign country without any restrictions. If an enterprise was under liquidation by its founders, the assets or a portion thereof corresponding to the amount of foreign investment which, on the decision of the shareholders, were due to foreign investors, could be taken out of the country free of customs duties. Eligibility for these benefits was not contingent upon export performance or use of domestic inputs in the production process.

### State Ownership and Privatization

12. The representative of Lithuania explained that privatization had initially been implemented through investment vouchers which could be used to purchase State property, residential housing, agricultural enterprises and repurchasing of land. Most of this privatization, which allowed bids by employees and management, had proceeded without foreign participation. Marking the second stage of the privatization process, a Law on Privatization of State-Owned and Municipal Property had entered into

force in September 1995, providing for privatization through public subscription of shares; public auction; public tender; sale through direct negotiation; joint-ventures with State property; capital lease; and the creation of a State Privatization Agency. The State had retained stakes in some farms or enterprises (30-90 per cent) until they were fully privatized in connection with their transformation into joint-stock companies during the first stage of privatization. Assets sold by public auction were privatized in their entirety and the State generally did not retain ownership in privatized enterprises. The 1995 Law stipulated that foreign and domestic investors would participate in the privatization process on an equal basis, both in the form of direct and portfolio investments. Pursuant to the 1995 Law, the Government had established a list of enterprises and residential holdings in agro-processing, agro-services and industrial sectors to be subject to tendering. The list established in 1997 comprised 836 enterprises, including enterprises part-privatized at the first stage of privatization, and other sectors and large-scale enterprises previously excluded from privatization such as energy, communications and transport services.

13. Privatization in agriculture, including the restoration of land to former owners, had proceeded despite certain legal problems (only the State and natural persons could own land), uneconomic partitioning of land and other main assets, and lack of capital for family farming. The general policy in this area was to offer preferential bidding terms to agricultural producers. Farmers had been offered favourable terms in the privatization of some processing industries (meat, grain, dairies and sugar factories). In most food processing sectors 80 per cent ~~50 per cent~~ or more of the assets had already been privatized ~~to be privatized had been privatized~~. Regarding the privatization in the sugar sector, Lithuania had four sugar refineries, all of which had been transformed into joint-stock companies with more than 90 per cent of the shares held by private investors. The remaining State-owned shares would be privatized gradually in a process open to local and foreign investors.

14. As a result of these various privatization efforts, by 1 January 1997 Lithuania had wholly ~~or partially~~ privatized 99.7 per cent of State-owned farms (not including agricultural processing enterprises). As of the same date, Lithuania had made significant progress in the privatization of 287 agro-processing (meat, milk, grain, crop selection, etc.) and agro-service enterprises that were identified for privatization and expected to complete the process in 1997. These 287 enterprises represented the entire share of all State-owned assets in agro-processing. The State had excluded from the privatization process its stakes in (i) 19 experimental farms at research institutions of agricultural science studies; (ii) 54 teaching farms at agriculture schools; and (iii) eight farms of pure-strain enterprises.

15. Significant progress had also been made in privatizing industry. As of 1 January 1997, the Government estimated that approximately 88 per cent of the industrial (goods) enterprises and 97 per cent of the services enterprises identified for privatization, had been privatized. The privatization process had been given new impetus by the decision to allow privatization in industrial and non-agricultural service sectors to take place on a cash (rather than voucher) basis, allowing the participation of foreigners. As part of the plan to privatize on a cash basis the State intended to sell shares in joint-stock companies, retained during the first stage of privatization, to qualified bidders.

16. A Law of 28 December 1994 provided a list of State enterprises not to be privatized until the year 2000. The original list comprised 234 entities in areas such as recreation, transportation, pharmacies and postal services; the list had been reduced to 110 enterprises under an amendment to this Law on 3 April 1997. The Government had adopted a decision to discontinue this list on 4 June 1997; the decision was currently being considered by Parliament.

17. Some members ~~{A member~~ requested Lithuania to provide a table or chart indicating the status of privatization, by size and/or type of firm, addressing all enterprises still wholly or partly owned by the State, information on how many State-owned firms existed prior to privatization, how many had been fully privatized, a list of enterprises and sectors still wholly or partly owned by the State, the portion of equity still owned by the State, the portion of output and trade represented by private firms, how many firms had been prepared for privatization and for which privatization was pending, and how many were not at this time contemplated as part of the privatization programme. Lithuania should also define the conditions whereby it would consider its privatization programme completed and when it expected to accomplish this.} The representative of Lithuania submitted information on the privatization process in Lithuania (1991 - 31 July 1997), circulated in document WT/ACC/LTU/17 of 26 September 1997. Of the approximately 8,000 enterprises owned by the State prior to privatization, nearly 6,000 small- and medium-sized enterprises, representing around one-quarter of the total capital, had been privatized by mid-1997.

[See Table 1 in the Annex]

18. [The representative of Lithuania said that Lithuania agreed to continue to provide information on an annual basis ~~a periodic basis~~ on developments in its programme of privatization after accession along the lines of that provided to the Working Party during the accession process, and on other issues related to its economic reforms as relevant to its obligations under the WTO.] [The representative of Lithuania confirmed the readiness of Lithuania to ensure the transparency of its ongoing privatization

programme under the regular trade policy reviews in the WTO and to provide further information on request in accordance with the notification and consultation provisions of WTO. The Working Party took note of this assurance.]

### Pricing Policies

19. Some members of the Working Party noted that certain goods and services remained subject to price controls and requested details and plans regarding further deregulation of prices. Lithuania was asked to list the products subject to price controls and to provide information on the legal basis for these controls, the reasons for these controls and the conditions under which such or extended controls might be applied in the future.

20. The representative of Lithuania replied that price controls had been relaxed gradually in Lithuania. Controls on mark-ups on foodstuffs had ceased as of 1 April 1995, thus profit margins were no longer limited at the processor or retail level. He provided an updated list of goods and services subject to price control, reproduced in [Table 2](#). He did not believe that the number of goods and services subject to price controls would increase in the future. He also noted that his Government had abolished price controls on State-owned precious metals in December 1996 and planned to remove price controls on cement, lime, limestone and mineral fertilizers by the end of 1997. Further price liberalization in transportation and telecommunications would be linked to increasing competition resulting from economic restructuring and privatization. He confirmed that Lithuanian industries did not receive electricity and gas at subsidized prices, but price controls would remain on residential use of electricity, natural gas and heating to support low-income households. Private health service providers could not exceed the prices set for State-supplied services by more than 60 per cent. This measure was applied in an environment of insufficient competition to alleviate the financial burden on the State Social Insurance Fund, which compensated citizens fully or in part for their expenditures on health services and pharmaceuticals. He said that the price control on State-owned land was connected with the restoration of private land ownership as part of agricultural reform. He further stated that price control on State-owned land would be abolished after the restoration of private land ownership in the course of the implementation of agricultural reform. Wood and wood products from State-owned land were subject to minimum, not maximum, prices; however, the Government would revise those price controls. He confirmed that prices of goods and services in every sector, with the exceptions listed in [Table 2](#), were determined freely by market forces. The list of goods and services subject to price controls set by the State and any changes to this list would be published in the Official Gazette, and price controls set by municipalities would be published in the local mass media.

21. [The representative of Lithuania confirmed that in the application of price controls from the date of accession ~~now or in the future~~, Lithuania would apply such measures in a WTO consistent fashion, and take account of the interests of WTO Members exporting goods as provided for in Article III.9 of the GATT 1994. The Working Party took note of this commitment.]

[The representative of Lithuania confirmed that price controls on products and services in Lithuania have been eliminated with the exception of those listed in Table 2. He added that with the exception of these prices, prices for goods and services in every sector in Lithuania were determined by market forces. He further confirmed that in the application of such controls, and any that are introduced or re-introduced in the future, Lithuania will apply such measures in a WTO-consistent fashion, and take account of the interests of exporting WTO Members as provided for in Article III:9 of the GATT 1994. Lithuania also will publish the list of goods and services subject to State price controls in the Official Gazette including any changes from the list in Table 2. The Working Party took note of this commitment.]

### Competition Policy

22. The representative of Lithuania noted that the Law on Competition had entered into force on 1 November 1992 and was enforced through the State Competition and Consumer Protection Office. The Competition Council (the decision-making body of the Office) had approved four by-laws concerning the abuse of dominant position, agreements and concerted activities restricting competition, control of mergers, and prohibition of unfair activities. The Law on Competition was applied to all enterprises irrespective of ownership or the kind of economic activity. Some provisions of the Law on Competition were not applied in excluded sectors which were covered under separate legislation. Thus, certain exemptions were allowed for the supply of energy, postal services, railways, [sugar - the new Law on Sugar (in preparation) would not contain this exemption], ~~production and trade in alcohol, sugar~~ telecommunications and airline services.

23. The State Competition and Consumer Protection Office had investigated 39 cases of ~~fixed~~ ~~20 enterprises for~~ abuse of dominant position between 1992 and 1996 1995. Dominant enterprises were those controlling 40 per cent or more of the relevant domestic market; the Office had included enterprises with market shares exceeding 60 per cent in a list of dominant suppliers. In January 1996, the Competition Council listed six enterprises holding from 60 to 90 per cent of their respective markets and having abused their dominant positions by charging unreasonably high prices during 1994-1995. The six enterprises were obliged to notify price changes in advance to the State Competition and



Consumer Protection Office. The list of dominant enterprises had been discontinued. Future abuse of dominant position would be investigated on a case-by-case basis.

#### FRAMEWORK FOR MAKING AND ENFORCING POLICIES

24. The representative of Lithuania said that sovereign State power in Lithuania was exercised by the President, the Seimas, the Government and the judiciary. The Seimas was a one-chamber Parliament with 141 members. The Seimas considered and enacted amendments to the Constitution, enacted laws, considered the programme of the Government, approved the State budget, established State taxes and other obligatory payments, ratified international treaties, and considered other domestic and foreign policy issues. The President of the Republic was the Head of State. The President represented the State of Lithuania and performed the duties laid down by the Constitution and the laws. The Government was the highest authority of executive power. The Government was led by the Prime Minister and currently consisted of 17 Ministries. The judicial system in Lithuania comprised the Constitutional Court, the Supreme Court, the Appeals Court, the County Court and District (city) Courts. A special Commercial Court existed for the settlement of business disputes.

25. The representative of Lithuania said that, from the date of accession, all administrative action affecting international trade could be appealed to an independent judicial body (GATT Article X.3(b)). The Working Party took note of this commitment.

26. The representative of Lithuania added that local governments acted freely and independently within the limits of their competence, established by the Constitution and laws. Local Councils maintained the right, within established limits and in accordance with procedures laid down by law, to levy taxes on excavation sites, traffic access, parking, street vendors, visual commercial advertisements, etc. However, municipalities were not entitled to tax items subject to taxation at the national level. Local authorities thus could not apply duties on imported goods.

27. The representative of Lithuania stated that, from the date of accession, Lithuania would ensure observance of the provisions of the GATT 1994 by its local authorities (GATT Article XXIV:12). The Working Party took note of this commitment.

## POLICIES AFFECTING TRADE IN GOODS

### Trading Rights

28. Some members of the Working Party noted that certain business activities were subject to licensing in Lithuania and requested a list of the trade activities concerned in order to assess whether licences were granted automatically on a non-discriminatory basis or whether there were instances where the State limited or rationed the right to trade in certain business activities. The latter practice would engage a number of WTO issues, notably regarding trade monopoly and State-trading, which Lithuania was requested to address.

29. The representative of Lithuania replied that certain activities were subject to licensing in accordance with the Law on Amendments and Supplements of the Law on Enterprises of 5 July 1995. Tables 3.1 and 3.2 "Licensing of business activities" listed business activities (goods and services respectively) subject to licensing in Lithuania. He confirmed that Lithuania maintained the same criteria and procedures for reviewing applications for licences to engage in trade or production of goods, whether the applicants intended to deal in domestic or imported goods, or a combination thereof, except as noted in paragraph 29 below. Licensing of commercial activity, including importation, was applied to products containing alcohol; tobacco and tobacco products; oil products; narcotics and poisonous substances; chemical materials harmful to the environment; and biological materials for plant protection. Regarding special foodstuffs and food additives, the licensing was not used and Parliament was considering a proposal from the Government to eliminate the licensing of such activity from the Law, as the products concerned were already subject to sanitary and phytosanitary certification. Trade in oil products (petrol, diesel gas, fuel oil and lubricants) was licensed to enforce uniform conditions for all companies involved in importation.

30. [A member was concerned that importation licences such as those to import alcohol and petroleum were granted only with a tax which did not apply to domestic producers or distributors, and Article III would seem to prohibit this form of discrimination. In addition, the size of some of the fees were not associated with the cost of the services rendered; they rather served as revenue raisers and barriers to entry.]

31. The representative of Lithuania said that the Government levied a stamp tax on a number of services provided by its institutions, including for the issuance of activity licences. Tax rates had been established in accordance with Resolution No. 1123 of 11 November 1994, and were indexed to the rate of inflation. The tax was related or limited to the approximate cost of the services rendered

and differed according to the nature of the licensed activity. Stamp taxes for activity licensing related to importation included an important fiscal element, and were also important to encourage responsible importers who would be prepared to follow customs and tax procedures, and pay the required tariffs and taxes. ~~for retail trade in lubricants the tax amounted to 1,000 litas (US\$250), while a one-year licence to trade in oil products (petrol, liquid fuel, kerosene, aircraft fuel, diesel fuel and lubricants) would cost 500,000 Litas (US\$125,000). Such fees were levied for fiscal purposes.~~ The annual stamp taxes for activity licences on alcohol and alcoholic beverages, tobacco and petroleum products are listed in Table 4.

32. The representative of Lithuania added that activity licences were granted automatically and on a non-discriminatory basis, except in the following cases:

- (i) no licences were granted to foreigners for the organizing of lotteries and activities related to narcotic or poisonous substances;
- (ii) applications could be rejected or subject to limitations regarding activities related to strategic goods - production and importation was strictly controlled for reasons of national security or environmental protection (according to COCOM requirements - see paragraph [55] for further details); and
- (iii) activity licences relating to radioactive and nuclear material and wastes were reserved for State enterprises and special enterprises in which the State held all or the majority of the shares.

33. The representative of Lithuania confirmed that the former State monopoly in foreign trade had been abolished and that no restrictions existed on the right of ~~foreign and domestic~~ individuals and enterprises registered in Lithuania to import and export goods and services within Lithuania's customs territory, except as provided in paragraph 32 29. He confirmed that individuals and firms were not restricted in their ability to import and export based on their registered scope of business, and the criteria for registration were generally applicable and published in the Official Gazette. [The Working Party took note of these commitments.]

#### Market Access Negotiations

34. Lithuania engaged in market access negotiations on goods with interested Members. Lithuania's Schedule of Concessions and Commitments on Goods is ~~The representative of Lithuania submitted~~

~~an Initial Offer for Market Access Negotiations on Goods in [document WT/ACC/SPEC/LTU/3 of 14] October 1996. A number of members entered into market access negotiations with Lithuania. The concessions and commitments on imported and exported goods agreed between Lithuania and members of the Working Party are annexed to the Protocol of Accession of Lithuania which is reproduced in the Appendix to this Report. As indicated in the conclusions of this Report, the Working Party took note of the market access commitments of Lithuania.~~

A. Import Regulation

Customs Code

35. The representative of Lithuania said that the Seimas approved a new Customs Code on 18 April 1996, replacing the Law on Customs of 29 April 1993 and certain provisions of the Law on Customs Tariff and other legislation. The Customs Code was based on the provisions of the Community Customs Code (Council Regulation 92/2913/EEC and its amendments), defining the responsibilities of government institutions involved in the administration of customs and providing the framework for importation, exportation and goods in transit. He added that the new Customs Code included WTO-consistent provisions on the application of customs tariffs, customs valuation, rules of origin, duty drawback, free trade zones, etc. The new Customs Code was due to enter into force on 1 January 1998.

36. A member asked Lithuania to describe the relevant provisions of the Customs Code, with particular reference to the areas addressing WTO obligations, and explain why the Code would not come into force until 1998. This member sought full implementation of this legislation no later than the date of Lithuania's accession to the WTO.

37. The representative of Lithuania said that before the new Customs Code entered into force a number of laws which were not in full conformity with the provisions of the Code would need to be amended by Parliament, and implementing regulations for the Code would need to be prepared and adopted by the Government. His Government had begun this process in July 1996, and had decided that the implementing provisions of the Code would be based on the Implementing Provisions of the Community Customs Code (Commission Regulation 93/2454/EEC and its amendments).

38. The representative of Lithuania ~~He~~ confirmed that Lithuania's customs regulations would be fully consistent with WTO provisions from ~~WTO-consistent upon~~ the date of accession and that Lithuania's implementing regulations and other legal requirements for implementation would be ~~would~~

have implementing regulations and other legal requirements for implementation in place by that date. The Working Party took note of this commitment.

#### Ordinary Customs Duties

39. The representative of Lithuania confirmed that the Convention on the Harmonized System entered into force in Lithuania on 1 January 1995. The structure of customs tariffs was regulated by the Government; rates could be changed by Government decision based on proposals by Ministries, taking account of Lithuania's international obligations and commitments. Tariffs had accordingly been reduced on major food products (milk and dairy products, butter, eggs, sausages and sugar) in September 1995. The applied customs tariff was provided to the Working Party [the most recent version, established by Government Resolution No. 268 of 24 March 1997, is reproduced in Annex II, Table 1 of document WT/ACC/LTU/15]. Goods were subject to the autonomous rate of duty, except for imports originating in countries enjoying most-favoured-nation status in Lithuania [listed in Annex II, Table 3 of document WT/ACC/LTU/15] which were subject to conventional import duties, and goods imported under free trade agreements preferential arrangements [the countries involved are listed in Annex II, Table 4 of the same document]. A new draft Law on Customs Tariffs stipulated that rates of customs duties would be determined by Parliament.

40. Applied tariff rates were *ad valorem* except for specific (mixed) duties on alcohol, tobacco and raw sugar. Specific duties on meat and dairy products were eliminated in February 1995.

#### Other Duties and Charges Levied on Imports but not on Domestic Production

41. It was noted that Lithuania had bound all duties and charges levied on imports but not on domestic production other than the ordinary customs duties referred to in Article II.1(b) of the GATT 1994 [at zero] [in non-discriminatory manner] for all products in the goods schedule annexed to its Protocol of Accession (annexed) (Article II:1(b) of the GATT 1994).

#### Tariff Rate Quotas, Tariff Exemptions

42. Some members noted that Lithuania used tariff quotas to provide for temporary import relief for goods in short supply. Lithuania was asked to specify the goods subject to tariff quotas and to explain the operation of the quota system. Lithuania should also provide a justification for the system,

some information on the portion of imported products affected, and outline plans for the disposition of the system after Lithuania's accession to the WTO.

43. The representative of Lithuania replied that tariff quotas were opened under Government Resolution No. 653 (8 May 1995), implementing the Law on State Regulation of Economic Relations in Agriculture (22 December 1994). [The list of products currently subject to general tariff quotas due to short supply is reproduced in Table 5.] He confirmed that imports from all countries were afforded the same access under the general tariff-rate quotas.

44. Some of the tariff quotas for agricultural products were allocated through public tenders announced in the Official Gazette ~~official-gazette "Valstybes žinios"~~. Enterprises requesting quotas or participation in tenders submitted application forms to the responsible Ministry. Domestic sugar processors were required to exhaust the supply of domestic raw sugar before being allowed to import raw or white (refined) sugar at zero duty under tariff quotas. Domestic sugar producers could import unlimited quantities of raw or white sugar at the MFN over-quota duty rate any time. Concerning the allocation of the tariff-rate quotas for raw sugar, the Government (Ministry of Agriculture and Forestry) would select one or more suppliers based on quality and price which subsequently concluded contracts with domestic processors having filled their purchasing quotas for domestic sugar beets. Lithuania currently had four domestic processors which all met their local purchase quotas, and zero-duty imported raw sugar was allocated equally, i.e. in 25 per cent shares, among them. Entitlements to tariff quotas for irregular transparent glass bottles was automatic upon presentation of the application and the sales contract. Special ships furniture was imported by a State shipyard; domestic production of furniture was increasing and the tariff quota was expected to be abolished in 1997.

45. [A member requested a commitment paragraph addressing the disposal, prior to accession, of Lithuania's requirement to use domestic sugar prior to allowing imports.]

#### Fees and Charges for Services Rendered

46. The representative of Lithuania said that, in accordance with the Law on Stamp Tax of 23 June 1994 and rates established through Resolutions No. 1123 of 11 November 1994 and No. 640 of 23 June 1997, stamp taxes were levied for the issuance of official documents (such as licences) as well as for the provision of certain services by government institutions, including customs clearance operations. Stamp taxes were collected by the institutions responsible for issuing the appropriate documents. The State Tax Inspectorate of the Ministry of Finance controlled how these institutions

collected the Stamp Taxes. He stated that the Stamp Tax was set at different rates depending on the nature of the product and the type of service provided. Customs services fees amounted to 20 to 30 Litas for the registration of goods and 25 Litas for the issuance of documents, including certificates of origin. The stamp taxes applicable for the processing of imports by customs and for other purposes related to trade are enumerated in Table 6. He stated that these fees and charges were related or limited to the approximate cost of the services rendered, although some Stamp taxes for activity licensing related to importation included an important fiscal element, and were also important to encourage responsible importers who would be prepared to follow customs and tax procedures, and pay the required tariffs and taxes. Additional customs fees were assessed for supplementary services such as customs formalities performed outside the Customs office or outside its normal business hours, for the supply of non-confidential information from the database of the Customs Department, etc. ~~Consular fees were applied under the Law on Consular Fees of 23 June 1994 and according to Government Resolution No. 1135 of November 1994 for consular services, notary actions and legal documents issued by the Consular Department of Lithuania's Ministry of Foreign Affairs or its diplomatic missions and consulates around the world.~~

47. The representative of Lithuania said that from the date of accession any application of fees and charges by Lithuania for services rendered on or in connection with importation imports would be in accordance with the relevant provisions of the WTO Agreements, in particular Articles VIII and X of GATT 1994. The Working Party took note of this commitment.

#### Application of Internal Taxes to Imports

48. Some members of the Working Party asked Lithuania to enumerate the products subject to excise taxes, comment on the use of specific rates and confirm whether imported and domestic products were treated equally. A member noted "small" breweries were exempted from excise tax and that imported cigarettes attracted the highest excise tax rate, while taxes on domestically-produced cigarettes were differentiated according to quality. Lithuania was asked to explain how this treatment could be consistent with Article III of the GATT 1994. Specific questions concerning the taxation of cigarettes also referred to the link between excise taxes and customs duties.

49. The representative of Lithuania provided the information on product-specific excise taxes [reproduced in Table 7]. Rates were *ad valorem*, in some cases specific minima had been established (in Litas per unit). Lithuania had no plans to convert specific amounts into *ad valorem* rates since large price differentials existed between domestic and imported goods. On domestic products, excise

taxes were levied on the selling price exclusive of VAT; the tax base for imports was the customs value inclusive of customs duties. He said that excise taxes were differentiated (based on quality) for certain domestically-produced and imported wine, beer and cigarettes. Lithuania had taken concrete steps to bring its excise taxes on cigarettes into conformity with GATT Article III. As from 1 October 1997, both imported and domestically-produced filter-tipped cigarettes would be subject to the same tax rate. The preferential excise tax treatment of small breweries was a transitional measure which Lithuania intended to modify by the time of its accession to the WTO.

50. Some members of the Working Party asked about the application of value added tax in Lithuania, including the basis for taxation of imported products. A member asked for a clarification on the treatment of imported like-products in the light of Article III of the GATT 1994, noting that Lithuania applied a reduced rate of VAT to some agricultural products of domestic origin.

51. The representative of Lithuania said that value added tax of 18 per cent was charged on goods and services. Goods imported into bonded warehouses and all exports were zero rated, and a number of goods and services were exempt from VAT (listed in the Memorandum). Provisions regarding VAT were changed in 1995 and 1996; a temporary rate of 9 per cent and exemptions from VAT for some products were applied until 1 January 1997. Since that date, both domestic and imported products were subject to 18 per cent value added tax. The tax base for the imposition of VAT included excise taxes, if any, and customs duties on imported products.

52. The representative of Lithuania said that, from the date of accession, Lithuania would apply national treatment with regard to the rate of all the internal taxes and charges on both imports and domestically-produced products. The Working Party took note of this commitment.

#### Quantitative Import Restrictions, including Prohibitions, Quotas and Licensing Systems

53. A member sought an undertaking from Lithuania that any quantitative import restrictions inconsistent with Article XI of the GATT 1994 would be eliminated on accession.

54. The representative of Lithuania stated that Lithuania did not maintain import prohibitions other than a ban on the import of snuff and chewing tobacco (HS 2403.99.10.0), which was administered in conjunction with a ban on domestic production of the same products which would be justified under Article XX(b) of the GATT 1994. Lithuania did not maintain any import quotas.



55. Information on import licensing procedures according to the format applicable to WTO Members was provided to the Working Party in document WT/ACC/LTU/7/Add.1 (the section "Trading Rights" and Tables 3.1 and 3.2 contain information on licensing of business activities). The representative of Lithuania stated that Lithuania did not maintain any import licensing restrictions other than for the following goods:

- narcotics and other controlled substances (HS codes 1211; 1301; 1302; 2905; 2918; 2921; 2922; 2924; 2925; 2926; 2932; 2933; 2934; 2939; 2914.30.10; 2924.29.50; 2932.90.75; 2932.90.77; 2939.40.10; 2939.40.30; 2939.60.10; 2939.60.30; 2939.60.50; 2939.90.71)
  - justified under Article XX(b);
- goods and loads of dual purpose (civil and military), means of defence, chemical and biological materials which can be used in the production of chemical and bacteriological weapons of mass destruction; nuclear missiles, equipment and technologies; and goods and technologies used in the production of missiles - justified under Article XXI;
- dangerous loads (United Nations list of goods - justified under Article XXI);
- used tyres (HS 4012.20.90) and electric fishing tackle (HS 8543.80.80.0) - justified under Article XX for reasons of environmental protection.

56. The representative of Lithuania said that Lithuania will not introduce or maintain quantitative import restrictions inconsistent with Article XI of the GATT 1994 and will observe WTO obligations on import licensing procedures. ~~[A member requested a commitment from Lithuania that any quantitative import restrictions inconsistent with Article XI of the GATT 1994 would be eliminated on accession.]~~ The representative of Lithuania said that Lithuania will observe WTO obligations relevant to quantitative restrictions on imports and import licensing procedures. The Working Party took note of these commitments.

#### ~~Other Restrictions~~

~~52. A member asked Lithuania not to expand the use of its minimum price system, reminding Lithuania that both the WTO Agreements on Agriculture and Customs Valuation prohibited the use of minimum import prices or reference prices. This member sought a commitment from Lithuania~~

~~that it would eliminate any import reference prices in place at the time of accession, and that such measures would not be reintroduced except in accordance with WTO Agreements.~~

~~53. The representative of Lithuania said that Lithuania currently applied import reference prices only for oil products (to combat customs fraud) and sugar. Lithuania would eliminate any import reference prices in place at the time of accession and would not reintroduce such measures except in accordance with WTO provisions.~~

#### Customs Valuation

57. Noting a statement by Lithuania that existing legislation did not incorporate all provisions of the GATT 1994 Customs Valuation Agreement, Lithuania was requested to explain which provisions were missing and detail plans for the introduction of these provisions. Some members further noted that Government Resolutions No. 281 of 28 February 1995 and No. 895 of 7 August 1997 appeared to authorize reference prices on imports.

58. The representative of Lithuania said that the general principles regarding customs valuation were laid down in Article 10 of the Law on Customs Tariffs (1993) and implemented through Government Resolution No. 449 of 16 June 1993. This legislation did not contain all the provisions of the GATT 1994 Agreement on Implementation of Article VII, including its Article 1(2)(b) and (c), Article 6(2), Article 7(1) (reference to the principles and general provisions of the Agreement) and 7(2), Article 14 and Article 15(2)(d) and (e), and Article 15(5). Most of the provisions missing in the present legislation would be incorporated in a new Order of Customs Valuation of Goods. Moreover, the new Customs Code, expected to enter into force on 1 January 1998, repeated verbatim the provisions on customs valuation of the GATT 1994 Agreement. The new Code and its implementing legislation, modelled on the regulations of the European Communities, would contain new WTO-conform provisions in several areas, including on prohibited valuation methods, notification to importers, confidentiality, the valuation of carrier media bearing software for data processing equipment, and the valuation of interest charges.

59. The representative of Lithuania confirmed that Government Resolution No. 895 of 7 August 1997 ~~281~~ introduced minimum import prices for ~~provided de jure the possibility to apply reference prices, but added that the provisions had not been used, except with regard to sugar, grain and products thereof,~~ and oil products (as a transitional measure to be abolished before Lithuania become Member of the WTO.) The Law on Sugar and the Law on State Regulation of Economic Relations for Agriculture

also granted the Government authority to establish ~~minimum import threshold (reference)~~ prices. The authority to establish ~~minimum import reference~~ prices was not included in the new Law on Sugar (in preparation). He added that on 25 June 1996, Lithuania had approved Government Resolution No. 751 on "Customs Assessment of Prices for Imported Goods". According to this Resolution, Ministries responsible for trade issues established a special price list ("price-in-checking" system), to be reviewed every three months, for certain imported goods to fight customs fraud. [Products covered by the system are enumerated in document WT/ACC/LTU/12, pages 13-14.] The established order of customs valuation was followed for goods not included in the special list.

60. Concern was expressed about the "price-in-checking" system and Lithuania was asked to explain in detail why the system would not constitute a minimum price scheme. A ~~minimum import reference~~ price could not be considered a transaction value as defined in the WTO Customs Valuation Agreement, and the process of using "price-in-checking" did not conform to the hierarchy of other valuation methods provided for in the Agreement and in Lithuania's new Customs Code. Lithuania was urged to use WTO-consistent provisions to assess valuation of imports; the "price-in-checking" system should not be in place after Lithuania's accession to the WTO.

61. The representative of Lithuania explained that prices in the special list were utilized in the assessment of duties and taxes when importers were unable to substantiate declarations of a lower customs value, or to provide information to allow the other methods of customs valuation (non-transaction value) to be used. The importer was normally asked to demonstrate that the value of the imported goods approximated the value of identical or similar goods imported and sold in Lithuania. Deductions would be made for expenses on commissions, and the value would be adjusted for profit and general expenses, transportation and insurance costs, import duties and taxes, etc. Article 6 of the Law on Customs allowed all decisions taken by the customs authorities, including "price-in-checking" decisions, to be appealed to the Customs Department and/or the Court. The "price-in-checking" system was a transitional measure and would not be part of the new Customs Code. The "price-in-checking" system would accordingly be discontinued when the new Customs Code entered into force on 1 January 1998. In any case, in his view, these checking prices did not constitute a minimum price system.

62. Having reviewed the new Customs Code with respect to customs valuation, a member noted that its provisions did not seem to represent full implementation of the WTO Agreement on the Implementation of Article VII of the GATT 1994. Article 29 appeared to permit customs valuation based on measures inconsistent with the Agreement, the Interpretative Notes of the Agreement were not fully incorporated, Articles 2 to 6 of the WTO Agreement were implemented on an incomplete

basis, the Code contained no legal reference to the provisions of Article 7.3 of the Agreement (importers' right to a written explanation of alternative valuation methods), the wording of Article 33 of the Customs Code regarding the dutiability of royalty payments was somewhat broader than the WTO Agreement, Article 35 of the Customs Code did not commit Lithuania to valuation of software based on the value of the media, and the Customs Code contained no legal counterparts to WTO provisions regarding confidentiality, right of appeal, and the right to a written explanation.

63. The representative of Lithuania replied that the concern regarding Article 29 of the Customs Code was a misunderstanding arising from a translation error; the Article required the rules of customs valuation laid down by the Customs Code to be used in all cases when import taxes, other than import duties, or value-based import prohibitions or restrictions, were applied. Some of the Interpretative Notes of the Agreement were not incorporated in the Customs Code, but would be included in the Implementing Provisions of the Customs Code. These provisions were currently in preparation and would also enter into force on 1 January 1998. The Implementing Provisions of the Customs Code would incorporate the provisions of Articles 2-6 of the WTO Agreement missing in Article 31 of the Customs Code, the definitions set forth in paragraphs 1 to 3 and in paragraph 5 of Article 15 of the Agreement, and the provisions concerning valuation of software based on value of the media.

64. A new Order of Customs Valuation of Goods, based on the appropriate provisions of the Code and incorporating most of the above-mentioned provisions, had been adopted by Government Resolution No. 897 of 11 August 1997. This Order was based on the Implementing Provisions of the Community Customs Code (Commission Regulation 93/2454/EEC) and contained the following provisions missing in the previous Order on Customs Valuation of Goods:

- definitions of "produced goods", "identical goods", "similar goods" and "goods of the same class or kind" (Articles 15(1), (2) and (3) of the GATT 1994 Agreement on Implementation of Article VII);
- provisions governing the application of test values in case of sales between related persons (Articles 1(2)(b) and (c) of the Agreement);
- provisions concerning prohibition to require any person not resident in the territory of Lithuania to produce records for the purposes of determining a computed value (Article 6(2) of the Agreement);
- provisions concerning application of reasonable means consistent with the principles and general provisions of the Agreement (Article 7(1) of the Agreement);
- a list of prohibited valuation methods (Article 7(2) of the Agreement);

- provisions indicating that the sole agent, sole distributor or sole concessionaire shall not be treated as a person related with the seller (Article 15(5) of the Agreement);
- provisions concerning rates of exchange of the Litas;
- provisions governing customs valuation of goods in case of successive sales (e.g. in customs warehouses);
- provisions concerning place of introduction into the customs territory of Lithuania;
- provisions concerning valuation of carrier media for use in ADP equipment;
- provisions concerning the lodging of a value declaration;
- requirements applied to the supporting documents (commercial invoices, contracts, transportation and insurance documents, etc.); and
- provisions concerning the valuation of used cars.

However, the new Order did not repeal the "price-in-checking" system or the minimum import prices for oil products, grains and products thereof, and sugar - which were applied on a temporary basis - and contained references to cases where this system or the minimum import prices would be applied ~~would be adopted by the Government in the near future.~~

65. Regarding the right to written explanation and appeal, he said that Article 5 of the Customs Code covered requests of importers concerning explanation of alternative valuation methods. Customs was required to respond in writing to written requests. In case of rulings against the applicant, this information would also set out the grounds on which Customs had based its decision. The right of appeal was provided for in Article 226 of the Customs Code. He acknowledged that the Customs Code contained broader wording regarding the dutiability of royalty payments than the WTO Agreement, but noted that the wording of paragraph 1(3) of Article 33 of the Customs Code had been taken from the Interpretative Note to paragraph 1(c) of Article 8 of the Agreement.

66. The representative of Lithuania confirmed that as from the date of its accession Lithuania would not use any form of reference price of fixed values to establish the value of imports and exports for customs purposes. He also stated that from the date of its accession Lithuania's customs valuation legislation and practice would be in full conformity with the relevant WTO provisions, including Article VII of GATT 1994 and the Agreement on Implementation of Article VII without any transition period. Lithuania would implement Decision 4.1 of the Customs Valuation Committee concerning the valuation of carrier media bearing software for data processing equipment from the date of its accession. The Working Party took note of this commitment.

Other Customs Formalities

67. The representative of Lithuania said that Lithuania followed the work of the World Customs Organization and the WTO regarding a harmonization programme for non-preferential rules of origin. In the meantime, Lithuania was taking into account and implementing the results of the WTO negotiations to maintain a transparent system for non-preferential rules of origin; to administer these rules of origin in a consistent uniform, impartial and reasonable manner; and to base these rules of origin on a positive standard. According to Article 10 of the Law on Customs Tariff currently in force goods originated in a country if wholly obtained or produced in that country or, if more than one country was involved, where the raw materials or components underwent substantial, economically justified processing or working. Processing or working was considered substantial if resulting in a change in four-digit HS tariff heading for the new product. These criteria applied in respect of goods originating in countries enjoying most-favoured-nation status in Lithuania. Imports from these countries satisfying the origin criteria would be subject to conventional (i.e. ~~MFN~~) tariff rates, otherwise the (normally higher) autonomous tariff rates would apply.

68. He added that Chapter V of the new Customs Code, which was scheduled to enter into force on 1 January 1998, provided the framework for the application of non-preferential rules of origin which, in his view, were WTO-consistent. Those provisions stated, *inter alia*, that the originating status of a particular good was either the country where the good had been wholly obtained or, when more than one country was concerned in its production, the country where the last substantial transformation had been carried out. The criteria under which products were deemed to be new, and their processing or working considered to be representing an important stage of manufacture, would be established by international agreements concluded between Lithuania and other countries or by the Implementing Provisions of the new Customs Code. The draft Implementing Provisions on rules of origin were based on the Implementing Provisions of the Community Customs Code.

69. A member reviewed the information provided by Lithuania and was not convinced that Lithuania's rules of origin system met the procedural obligations in the WTO Agreement on Rules of Origin. Specifically, regarding preferential rules of origin, Lithuania was asked to confirm that administrative determinations of general application for preferential rules of origin were issued; that when issuing administrative determinations of general application, the method for calculating the *ad valorem* percentage criterion would be indicated in the preferential rules of origin; that assessments of the preferential origin accorded to a good were issued as soon as possible, but no later than 150 days after a request for such an assessment by an exporter, importer, or any person with a justifiable cause;

and that any administrative actions taken in relation to the determination of preferential origin was reviewable promptly by judicial, arbitral or administrative tribunals or procedures, independent of the authority issuing the determination. Lithuania was also asked to clarify the role of "independent experts" in the determination of rules of origin.

70. The representative of Lithuania replied that preferential rules of origin, which formed an integral part of all free trade agreements concluded by Lithuania and enjoying the status of law, were applied directly without any additional implementing statutes or regulations. All free trade agreements in force had been published in the Official Gazette. The method for calculating the *ad valorem* percentage was indicated in the preferential rules of origin. Pursuant to Government Resolution No. 774 of 16 October 1992, all complaints, requests or suggestions of exporters, importers or any other person, including requests concerning assessments of preferential origin, were to be considered within one month. The new Customs Code contained similar provisions on the examination of requests; where request for a decision was made in writing the decision should be made within 8 working days, unless laws and other legal acts provided another term, and a decision requiring additional information should be made within thirty working days. Exceptionally, the customs authorities could exceed the stipulated period by up to 10 working days. The applicant would be informed in writing of the decision or the extension of the period necessary for the examination of the request. According to the Law on Customs currently in force, legal and natural persons had the right to appeal against all decisions taken by customs authorities including the determination of preferential origin to the Customs Department and/or to the Court. The new Customs Code also contained a chapter regulating the procedure of appeals against decisions taken by the customs authorities.

71. Concerning the "independent experts", the representative of Lithuania said that these were enterprises dealing with examination of goods, including verification of prices and preliminary assessment of preferential origin. The assessment procedure for goods produced in Lithuania was established by the Ministry of Industry and Trade and Customs Department on 26 March 1993. Exporters paid the "independent experts" for their services, but the customs authorities were not bound by such determinations, and exporters could prove the originating status of goods directly to the customs authorities. The experts were required to pass a test once a year; 11 "independent experts" had been certified for 1997. Most of these enterprises were members of the Lithuanian Association of the Goods' Examination Enterprises. According to the procedure for assigning experts approved pursuant to the Statute of this Association, the experts were prohibited from disseminating confidential information ~~by experts is prohibited~~. The procedure for assigning experts was based on the rules of the German Chamber of Commerce.

72. Procedures had been streamlined for imports of small consignments and frequent traders. The 1996 Customs Code contained appropriate provisions regarding the application of simplified procedures. Further work on simplification of existing procedures included the creation of a Customs Information System based on the ASYCUDA package of UNCTAD and the establishment of audit units at regional customs houses. These steps should reduce delays in customs clearance of goods at the border.

73. [A commitment relating to MFN measures has been requested.]

#### Pre-Shipment Inspection

74. The representative of Lithuania said that Lithuania did not engage private sector firms to carry out pre-shipment inspection.

#### Anti-Dumping, Countervailing Duties and Safeguard Regimes

75. Some members of the Working Party requested information about the status of legislation related to anti-dumping, countervailing duties and safeguard measures and its conformity with WTO disciplines. A member reminded Lithuania that in the absence of the required legislation, Lithuania would not be able to avail itself of the temporary protection mechanisms provided for in the relevant WTO Agreements.

76. The representative of Lithuania replied that Lithuania was working on a draft Law on Anti-dumping which would follow the requirements of the WTO regarding anti-dumping. The draft Law would be presented to the Government for consideration at the end of 1997. Lithuania was considering whether to draft and implement countervailing duty and safeguard regimes.

77. The representative of Lithuania said that any legislation in place at the time of accession or implemented in the future providing for the application of measures taken for safeguard, anti-dumping or countervailing duty purposes would conform to the provisions of the WTO Agreements on Safeguards, on Anti-dumping and on Subsidies and Countervailing Measures. In the absence of such legislative authority in place at the time of accession, Lithuania would not apply measures for safeguard, anti-dumping or countervailing duty purposes until legislation in conformity with the provisions of these WTO Agreements had been implemented. The Working Party took note of this commitment.



B. Export Regulations

Customs Tariffs, Fees and Charges for Services Rendered, Application of Internal Taxes to Exports

78. The representative of Lithuania said that export duties ranging from 15 to 50 per cent had been imposed temporarily on certain raw materials of importance to the local industry. All these export duties were abolished in October 1994 by Government Resolution No. 985. Effective 1 July 1996, export prohibitions were lifted on certain raw materials of interest to the domestic industry and replaced by export duties of 60 per cent, applied on an MFN basis, through Government Resolution No. 268 of 24 March 1997. These export duties were reduced from 60 per cent to 30 per cent - except for the duty on wood, which remained at 60 per cent - by Government Resolution No. 896 of 7 August 1997. [The products currently subject to export duties are listed in Table 8.] The export duties applied on a bilateral basis remained in effect as these were somewhat lower than the duties established through Government Resolution No. 268 (discussed in further detail in the section "Trade Agreements"). The representative of Lithuania confirmed that any changes in the export tariff regime would be published in the Official Gazette ~~official journal~~.

79. Exported goods, with the few listed exceptions in Table 8, were exempt from customs duties and VAT. Lithuania maintained some customs fees on exportation as part of the application of the Stamp Tax. These fees were related or limited to the approximate cost of the services rendered. The fees and charges are enumerated in Table 6 7. The new Customs Code, scheduled to enter into force on 1 January 1998, provided a framework for the implementation of a duty drawback system in its Section 6 pertaining to inward processing. Article 125 of Section 6 allowed the holder of an authorization (generally the importer) to request the Government of Lithuania to repay an import duty when the authorization holder could prove that the imported good had been exported as part of a compensation product (a product incorporating the good originally imported). The refunded duty was limited to the amount of import duties paid for the originally imported products included in the compensating product, and thus did not constitute a subsidy to the exporter.

80. [A member stated that Lithuania should eliminate the difference in the application of its export tariffs, and should commit that after accession, it would minimize the use of such taxes and that they would be applied in accordance with the provisions of the WTO Agreement.] The representative of Lithuania said that use of export taxes would be consistent with WTO norms, and any such taxes at the time of accession would be in the Working Party report, and that after accession, any subsequent use of such measures would be notified in this fashion to the WTO and published in the Official Gazette.

Export Restrictions

81. Some members of the Working Party noted that Lithuania restricted exports of various goods. Lithuania was asked to identify the measures maintained, the affected products, the reasons why exports were restricted and to indicate any plans for future use of export restrictions. A member noted Lithuania's intentions to replace existing export prohibitions with export duties and requested that Lithuania indicate specifically when this conversion would take place, and a commitment from Lithuania to phase out and eliminate the export duties in accordance with a negotiated timetable.

82. The representative of Lithuania said that all previous export bans were abolished by Government Resolution No. 716 (of 18 June 1996) and replaced by export duties.

83. Licences were required for exports of ethyl alcohol, metals and alloys, metal waste and scrap, and objects of cultural value (made before 1950). Licences were also required to engage in exportation of narcotics and highly effective or poisonous substances (not used for pharmaceutical purposes), oil products and raw wood. The Law concerning Control of Import, Transit and Export of Strategic Goods and Technologies, entering into force on 1 July 1997, stipulated licensing by the Ministry of National Economy for exports of dual use goods, technologies and software. As a temporary measure in 1995, continued through 1996, the Government had maintained certain export restrictions during periods of short supply of grain, flour and compound feed. In the future, export quotas on agricultural products would only be temporary measures applied in emergency situations. Export controls on ethyl alcohol were linked to the collection of taxes and to discourage production of counterfeit alcoholic beverages.

84. [Some members asked Lithuania to insert the WTO justification for export licences.]

[Export Subsidies][Export Promotion]

85. The representative of Lithuania said that the Government had adopted a Resolution "On Actions Improving Foreign Trade Regulation and Export Development" in January 1995. The Resolution covered drafting of legislation, export promotion and funding, management of trade-related information and education and training of export specialists. Lithuania had also adopted a National Programme of Implementation of Lithuanian Foreign Trade Policy Guidelines for 1996-1998. The programme included implementation of an export programme developed by the Lithuanian Export Promotion Agency and the establishment of Export Support and Export Guarantee Funds. Lithuania had also considered the development of a credit insurance system, but had yet to decide on its implementation. In developing

an export credit insurance model, Lithuania took into account the recommendations of the OECD. The representative of Lithuania confirmed that if an export credit insurance system (agency) was established in Lithuania, it would act in accordance with WTO requirements.

86. The purpose of the Lithuanian Export Promotion Agency, which was established at the end of 1995, was to promote exports of Lithuanian goods and demand for Lithuanian services. Its main functions were to analyze and provide information to Lithuanian exporters and service providers on foreign market conditions; to establish Lithuania's trade representation offices abroad; to prepare, implement and monitor trade development programmes to ensure their consistency with WTO rules; to study issues affecting trade activities and formulate recommendations to Lithuanian authorities; to consult State, public and private institutions on foreign trade issues; and to provide education and training to the foreign trade community in Lithuania. Recently, the Lithuanian Export Promotion Agency and a sister agency focusing on encouraging foreign investment in Lithuania, the Lithuanian Investment Agency, had been brought under the umbrella of a new agency - the Lithuanian Economic Development Agency.

87. The representative of Lithuania said that Lithuania did not maintain, and from the date of accession would not introduce, subsidies which met the definition of a prohibited subsidy within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures [and would therefore not seek a transitional period for the elimination of such measures]. [The Working Party took note of this commitment.] ~~The Guarantee Fund for Production Loans was under establishment and would replace the Export Support Fund, which ceased operations at the end of 1996. The new guarantee fund, which was funded by the Government, would devote 90 per cent of its resources to production loan guarantees. These guarantees would assist enterprises in obtaining working capital in the form of short term credits (up to six months) from commercial banks. Enterprises were charged up to 2 per cent of the guaranteed loan as a fee. The guarantee facility was not contingent upon export performance. The remainder of the Fund's resources would be allocated to trade promotion activities such as training, co-financing of exhibitions and fairs, preparation of prospects and catalogues, etc. The 1997 budget of the Fund amounted to LTL 40 million.~~

82. ~~[A member requested Lithuania to confirm that it did not maintain subsidies which met the definition of a prohibited subsidy, within the meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures, and would therefore not seek a transitional period for the elimination of such measures within a fixed period of time.]~~

C. Internal Policies Affecting Foreign Trade in GoodsIndustrial Policy, including Subsidies

88. The representative of Lithuania expected some six years would be required to restructure Lithuania's industrial sector. Industries targeted for development included wood processing; flax; processing of skins and furs; production of construction materials; agricultural machinery; new forms of energy; waste processing; and production of medicines and medical equipment. Potentially competitive enterprises had been identified through indicators such as current exports. Government funding was limited. Restructuring and promotion measures therefore concentrated on general improvements in the legal and economic environment. Specific measures included financial guarantees issued by the Government, temporary tax exemptions and technical assistance from abroad. Support was contingent on enterprises providing properly prepared business plans.

89. Referring specifically to the energy sector, the representative of Lithuania said that domestic production of energy from local resources, including nuclear energy, had covered approximately 43 per cent of Lithuania's needs in 1995. The share was expected to reach about 50 per cent by 2005 with increasing availability of domestic petroleum products and nuclear power. The State-owned gas importer and supplier "Lietuvos Dujos" had been subsidized to help offset the cost of imported natural gas and to compensate for low tariffs on deliveries of heating and hot water to households. Under a restructuring programme for the energy sector the Government was considering plans for privatization that could affect "Lietuvos Dujos". The Government was also reviewing its energy pricing policies.

90. The representative of Lithuania said that a Guarantee Fund for Production Loans was under establishment and would replace the Export Support Fund, which ceased operations at the end of 1996. The new Guarantee Fund, which was funded by the Government, would devote 90 per cent of its resources to production loan guarantees. These guarantees would assist enterprises in obtaining working capital in the form of short term credits (up to six months) from commercial banks. Enterprises were charged up to 2 per cent of the guaranteed loan as a fee. The guarantee facility was not contingent upon export performance. The remainder of the Fund's resources would be allocated to trade promotion activities such as training, co-financing of exhibitions and fairs, preparation of prospects and catalogues, etc. The 1997 budget of the Fund amounted to Lit 40 million. ~~[A commitment paragraph, to include elimination of any prohibited subsidies from the date of accession, has been requested.]~~

91. The representative of Lithuania said that Lithuania did not maintain, and from the date of accession would not introduce, subsidies which met the definition of a prohibited subsidy, within the

meaning of Article 3 of the Agreement on Subsidies and Countervailing Measures [and would therefore not seek a transitional period for the elimination of such measures]. [The Working Party took note of this commitment.]

Technical Barriers to Trade, Sanitary and Phytosanitary Measures  
Standards and certification

92. The representative of Lithuania explained that Lithuania was in a process of transition where mandatory (GOST) standards established under the former USSR system were replaced by a new system of voluntary standards and mandatory technical regulations. The Lithuanian Standards Board had membership status within various international and European standardization organizations to facilitate adoption of international and European standards in Lithuania. The Lithuanian Standards Board was an affiliate member of the European Committee for Electrotechnical Standardization (CENELEC) since 1997, a member of the European Committee for Standardization (CEN) since 1994, a member of the European Telecommunication Standards Institute (ETSI) since 1996, a correspondent member of the International Organization for Standardization (ISO) since 1992, an associated member of the International Electrotechnical Commission (IEC) since 1996, and a correspondent member of the Organization for Legal Metrology (OIML) since 1994. Lithuania concentrated its resources toward implementation of a long-term programme covering approximately 600 international and European standards. Lithuanian standards were drafted in technical committees following the principles defined by international and European standardization organizations. [At this point, Lithuania did not participate in the European Organization for Testing and Certification (EOTC), the European Co-operation for Accreditation Laboratories (EAL) and the European Accreditation of Certification (EAC). The Lithuanian Standards Board would seek full membership status in international and regional standardization organizations, but future membership depended on the availability of funding.]

93. A member noted that some of the legislation critical to the development of Lithuania's standards regime was still in preparation and expected Lithuania to adopt all necessary legislation to implement fully all obligations under the Agreement on Technical Barriers to Trade prior to the date of accession.

94. The representative of Lithuania said that work was under way to bring technical regulations into conformity with the WTO Agreement on TBT. A Law on Metrology had been adopted in July 1996. Intended for presentation to the Government ~~Seimas for approval~~ by the end of June 1998 1997 were a draft Law on Standardization which defined the organizational framework for standardization, including the basic principles, functional requirements and main resources, and a draft Law on Conformity

Assessment which would apply to both mandatory and voluntary procedures, defining the structure of the conformity assessment system and covering accreditation, testing, supplier declarations, certification and inspection. Lithuania had established an Information Centre at the Lithuanian Standards Board in November 1996. This Centre, *inter alia*, fulfilled the function of the Enquiry Point according to the WTO Agreement on TBT and would also provide notifications. However, the Information Centre was not fully operational yet. Rules governing the exchange of information between Ministries involved in standards issues and the enquiry point would be drafted by the end of 1997 ~~1 July 1997~~. According to the draft Law on Standardization information on standardization policy matters, draft standards and standards in force in Lithuania would be published in the official bulletin of the Lithuanian Standardization Board. Lithuania would introduce provisions allowing foreigners to comment on technical regulations not consistent with international norms. Plans existed to adopt the Code of Good Practice and the notification requirements for voluntary standards as required in the Annex 3 of the WTO TBT Agreement. Lithuania would be able to adopt the Code of Good Practice upon revision of its basic standards ~~at the end~~ in the course of 1998 ~~1997~~. Basic procedures for technical work would be approved by the end of 1998.

95. Lithuania's system of conformity assessment, notably the certification activities, was based on normative documents prepared according to ISO/IEC guidelines, mainly ISO/IEC Guides 22 and 28, and the Supplier's Declaration of Conformity. Domestic and imported goods were treated equally. Lithuanian certification bodies could recognize certificates issued by foreign bodies in accordance with the relevant procedures. Certification bodies had been established for mandatory certification of electrical appliances (the Certification Centre of Electrotechnical Production in Vilnius) and for general-purpose electronic equipment (the State Medical and Electronic Equipment Centre of Certification "SERTIKA" in Kaunas). The two certification bodies based their work on Government Resolution No. 474 of 22 June 1992 and Order No. 160/114 of 29 June 1995 of the Ministry of Industry and Trade and Lithuania's Standards Board. Lithuania was preparing mandatory certification requirements for technical communication means, articles of computer engineering, agricultural equipment and construction materials.

96. Foreign certificates for imported oil products needed to correspond to mandatory quality indicators approved by the Lithuanian Standards Board. Government Resolution No. 883 (29 November 1993) On the Approval of Traffic Rules established technical inspection requirements for imported vehicles. All pharmaceutical products required registration before being sold in Lithuania. Some other non-food items were subject to verification requirements under Government Resolution

No. 53/89 of 31 August 1994. Marking regulations had been established by Order No. 42/25/107 of 23 February 1995. For other technical requirements see document WT/ACC/LTU/7/Add.1.

97. The draft Law on Conformity Assessment did not contain specific guidelines for testing laboratories, certification bodies or accreditation bodies, but indicated that participants in the conformity assessment system should meet the requirements of international and relevant European documents and other related regulations. The draft Law permitted Lithuania to recognize product test reports and certifications performed under international guidelines. Lithuania did not recognize a foreign country's certificate without a bilateral agreement. Lithuania had signed agreements on mutual recognition of test reports and certificates of conformity with Poland, Slovakia, Bulgaria, Belarus, Russia and Ukraine; agreements with the Czech Republic and Romania were under negotiation. Cooperation agreements on accreditation between the corresponding institutions of Lithuania, Latvia and Estonia had also been signed. Lithuania recognized certificates of foreign countries after their registration by the relevant Lithuanian product certification bodies. Lithuania recognized certificates for measuring instruments issued by the International Organization for Legal Metrology (OIML). The representative of Lithuania stressed that no relationship existed between the certification process and import licensing requirements.

98. The representative of Lithuania stated that Lithuania would ensure that its technical regulations, standards, certification and labelling requirements were not applied to imports in an arbitrary manner, in a way that discriminates between supplier countries where the same conditions apply or as a disguised restriction on international trade. ~~[The Working Party took note of this commitment.]~~

99. The representative of Lithuania stated that, upon accession to the WTO, Lithuania would comply with all the provisions of the Agreement on Technical Barriers to Trade without recourse to any transitional arrangements. The Working Party took note of this commitment. ~~Lithuania will require a transitional period to bring its legal and institutional structures into full conformity with the WTO Agreement on Technical Barriers to Trade. Lithuania's legal base for implementing the Agreement is still being improved. Lithuania must make the enquiry point and notification functions fully operational and must improve its training and the equipment of laboratories involved in TBT matters. In the meantime, and given the evolving nature of its current system, Lithuania will work to ensure that its technical regulations, standards, certification and labelling requirements are not applied to imports in an arbitrary manner, in a way that discriminates between supplier countries where the same conditions apply or as a disguised restriction on international trade.~~

Sanitary and Phytosanitary Measures

100. The representative of Lithuania said that Lithuania had renewed its membership in the Organisation International des Epizooties (OIE) in 1992 and was following the requirements of the Codex Alimentarius Commission and the European Plant Protection Organization (EPPO). Lithuania was working to conform its sanitary and phytosanitary measures with the requirements of the WTO. Procedures would be established for public notice and comment for all sanitary and phytosanitary measures. He provided information on specific Lithuanian requirements pertaining to seeds, fertilizers, pesticides, animal and plant health, feeds, plant breeders' rights, fruit and berries, food additives and contaminants, packaging and labelling standards, and inspections of meat, dairy products, eggs and egg products.

101. The representative of Lithuania provided "Information on Lithuania's Progress in Implementing the Provisions of the WTO Agreement on Sanitary and Phytosanitary Measures" in Annex I of document WT/ACC/LTU/10. The submission listed the institutions responsible for application of SPS measures; relevant legislation pertaining to foodstuffs and food safety, non-processed agricultural commodities and animal health, and plant health; and outlined plans for recognizing equivalence of SPS regulations of exporting countries and implementation of transparency provisions.

102. Imported foodstuffs were required to pass through border crossing points manned to perform foodstuff controls. The Ministry of Health Care had approved a list of foodstuffs subject to quality control, thus requiring phytosanitary, veterinary or health and quality certificates on importation. Products included in the list were set out in document WT/ACC/LTU/12, pages 20-21. Lithuania required veterinary and phytosanitary certificates for processed foodstuffs.

103. A member pointed out that Article 5 of the WTO Agreement on SPS required Lithuania to carry out risk assessment. A member expected Lithuania to establish its SPS enquiry point and adopt all necessary legislation to implement fully all obligations under the Agreement on SPS by the date of accession to the WTO.

104. Regarding implementation of WTO provisions on sanitary and phytosanitary measures, the representative of Lithuania said that Lithuania needs a transitional period to bring its legal and institutional infrastructures for implementation into full conformity with the WTO Agreement. The enquiry point and notification functions required under the SPS Agreement might not be fully operational by the time of Lithuania's accession to the WTO. Lithuania's legal base for implementing the Agreement



is still being improved. Lithuania is working hard to improve its scientific laboratories and equip them with high-quality equipment and trained staff. In the meantime, and given the evolving nature of its current system, Lithuania will endeavour to apply all of its sanitary and phytosanitary requirements consistently with the requirements of the WTO.

105. [Some members requested Lithuania to indicate which specific provisions of the SPS Agreement it still had difficulty in applying and, for each of these provisions, the steps that it had taken to bring its legislative framework and practices into conformity, the steps remaining to be taken, and specific dates for conformity. The representative of Lithuania presented a request for a transitional period to implement specific provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures, circulated as document WT/ACC/SPEC/LTU/9 of 26 September 1997.]

106. [The representative of Lithuania stated that, upon accession to the WTO, Lithuania would apply all its sanitary requirements consistently with the requirements of the WTO, including the Agreements on Sanitary and Phytosanitary Measures and Import Licensing Procedures, without recourse to any transitional arrangements. The Working Party took note of this commitment.]

#### Trade-Related Investment Measures

107. The representative of Lithuania said that his Government had reviewed carefully the provisions of the WTO Agreement on Trade-Related Investment Measures (TRIMs), including its Annex and had concluded that Lithuania did not maintain any measures inconsistent with the TRIMs Agreement. His Government applied the principle of national treatment and did not resort to performance requirements which could affect trade. Lithuania was ready to implement fully the provisions of the WTO TRIMs Agreement upon accession without exception or transitional periods.

108. The representative of Lithuania confirmed that Lithuania would not invoke the provisions of the TRIMs Agreement that provide for the progressive elimination of measures inconsistent with the TRIMs Agreement within a fixed period of time as it did not maintain any such measures and would not introduce any such measures in the future. The Working Party took note of this commitment.

#### State-Trading Entities

109. The representative of Lithuania said that former State-trading enterprises were under the jurisdiction of the Ministry of National Economy. The Law on Trade, adopted in January 1995,

authorized the establishment of State monopolies in any sector in emergency situations (war, natural calamities, etc.) and to protect health and safety. He considered such measures consistent with the provisions of the GATT 1994. Exclusive rights existed for State enterprises, or special enterprises in which the State held all or the majority of the shares, regarding trade in radioactive and nuclear material and waste. He added that the joint-stock company "Lietuvos energija" operated as a natural monopoly in the production, input, transmission and distribution of energy. However, on 8 April 1997, the Seimas had approved the reorganization of "Lietuvos energija" into 16 thermal supplier companies. Production of beverages with high alcohol content was reserved for the company "Lietuviskas Midus". [Lithuania was considering notifying this enterprise as a State-trading enterprise.] He added that no agricultural products were covered by State-trading.

110. [A member understood that Lithuania used licences to allow commerce to a certain point, and stated that Lithuania should notify firms under Article XVII of the GATT 1994 in areas where business licences were rationed arbitrarily or acted as quantitative restrictions. Moreover, arrangements in the sugar processing sector regarding an exemption from provisions in the Law on Competition governing dominant firms, and the distribution of tariff-rate quotas, would appear to be a special right within the meaning of Article XVII.]

111. The representative of Lithuania replied that his Government had not approved any special rights for sugar refineries. The Law on Competition would exempt the members of a sugar manufacturers' association from certain of its provisions, but no such association has been formed yet. Zero-duty imports under tariff-rate quotas were allowed in fixed quantities as a temporary measure by the Government when imports of sugar at regular MFN rates proved insufficient to satisfy domestic demand.

112. The representative of Lithuania confirmed that his Government would apply its laws and regulations governing the trading activities of State-owned enterprises and other enterprises with special or exclusive privileges (~~including those listed in [ref]~~) and would otherwise act in full conformity with the provisions of the WTO Agreement, in particular Article XVII of the GATT 1994 and the Understanding on that Article and Article VIII of the GATS. The Working Party took note of this commitment.

#### Free Zones, Special Economic Areas

113. The representative of Lithuania said that no free economic zones were yet operational in Lithuania. A Law on Free Economic Zones had been adopted in June 1995. Each zone would be

established by separate law. Certain activities would be prohibited in free zones, including production, storage and sale of weapons, ammunition, explosives, dangerous and radioactive materials, narcotics and poisonous substances; manufacture of tobacco, spirits, securities, money and postage stamps; radio and television broadcasting; hospitals; gambling houses; and organization of lotteries. Licences would be required to carry out activities subject to authorization (see "Trading Rights") within Lithuania. Enterprises operating in a free zone would be exempt from customs duties, excise taxes and VAT, but would be subject to profit tax, payroll taxes (including social insurance), tax on land rent, stamp tax, taxes on natural resources and pollution tax (amendment of Law on Free Economic Zones of 2 April 1996). An enterprise established in the zone would benefit from an 80 per cent profit (income) tax reduction from the day of its registration and a 50 per cent profit (income) tax reduction for the subsequent five years. If a foreign investor acquired at least 30 per cent of the authorized (ownership) capital of an enterprise registered and operating in the zone, and invested not less than US\$1 million of capital of foreign origin, the enterprise would be exempt from profit (income) tax for 3 years after the enterprise began making a profit. The enterprise would benefit from a 50 per cent profit (income) tax reduction for the subsequent 10 years.

114. Thus far, Parliament had adopted separate laws for the establishment of free economic zones in three cities - Siauliai, Klaipeda and Kaunas. In this connection, the Government had organized tenders to select the company or group of companies to govern the zone, and a subsequent tender to determine the companies operating in the zone. Both foreign and domestic companies could participate in these tenders, provided they prepared an entrepreneurship project, including estimates of proposed investment in the infrastructure of the zone. Companies operating in the zone would need to register as enterprises in accordance with Lithuanian legislation and the registration should be duly recorded by the governing company of the zone. Companies were not required to export part or all of their output to gain access to Lithuanian free zones. **The purpose of the free economic zones was to attract investment, not to introduce requirements to export.** Goods brought into the customs territory of Lithuania from a free economic zone would be subject to all laws and other legal acts regulating the importation of goods from abroad, notably the application of import duties and taxes, as well as any prohibitions or restrictions of economic character.

115. The representative of Lithuania confirmed that any free zones or free economic zones would be fully subject to the coverage of the commitments taken in the Protocol of Accession, and that Lithuania would ensure enforcement of its WTO obligations in those zones, including those commitments derived from the TRIPS Agreement. He also confirmed that, when goods produced or imported into the zones under the special tax and tariff regime existing in these areas enter into the rest of Lithuania, normal

customs formalities, tariffs and taxes would be applied. The Working Party took note of this commitment.

#### Government Procurement

116. The representative of Lithuania said that a Law on Public (Government) Procurement, consistent with WTO requirements, entered into force on 1 January 1997 and supplementary legislation would be completed by the end of ~~in Spring~~ 1997. The Law allowed domestic or foreign suppliers (contractors) to participate in procurement procedures. Article 1, part 4 of the Law allowed the Government to give preference to goods, works and services produced, effected or provided by enterprises registered in Lithuania, when this supply was important to the State for economic or social reasons. However, such a decision would be passed in compliance with Lithuania's obligations under international agreements. The Government Procurement Agency was established in June 1997. The Agency prepared regulations related to the implementation of the Law on Public Procurement; announced tenders; coordinated Ministries' activities related to procurement; investigated complaints by suppliers; etc.

117. The representative of Lithuania confirmed that, upon its accession, his Government would ~~Some members expected Lithuania upon accession to~~ notify the Committee on Government Procurement of its intention to accede to the Agreement on Government Procurement and seek observer status in that Committee. He further confirmed that Lithuania would ~~should~~ initiate negotiations for membership in the Agreement ~~soon thereafter, by tabling an entity offer soon after the accession date and should be prepared to complete the negotiations by a date certain to be determined, provided the outcome of the negotiations was satisfactory to all.~~ The Working Party took note of these commitments.

#### Transit

118. The representative of Lithuania said that Lithuania required submission of a security or cash deposit which would normally be equal to the sum of import duties and taxes levied on imports. The amount considered sufficient could be set at a higher level if the customs value or tariff classification of the goods in transit could not be determined with certainty.

119. The representative of Lithuania added that the Prime Ministers of the Baltic States had signed a Resolution "On Via Baltica" on 13 February 1995, seeking to create a Baltic Transit System which would facilitate and simplify transit formalities for cargo traffic between the Baltic States. The system

would be based on, and could pave the way for, future accession to the EC-EFTA SAD and Common Transit Conventions (1987).

120. The representative of Lithuania confirmed that Lithuania would conform to the relevant WTO provisions, including Article V of the GATT 1994. The Working Party took note of this commitment.

#### Agricultural Policies

[Information on Domestic Support and Export Subsidies, circulated as document WT/ACC/SPEC/LTU/2 of 30 July 1996 for background information purposes only. Offer concerning commitments on domestic support and export subsidies circulated as document WT/ACC/SPEC/LTU/7 on 12 June 1997.]

121. Members of the Working Party asked Lithuania to outline the main direction of its agricultural policies. Specific questions were raised with respect to customs duties on agricultural products, the enforcement of recommended purchase prices on some commodities, direct and indirect support measures, export subsidies, and measures in the sugar sector. Lithuania was requested to provide information on domestic support and export subsidies in agriculture in the format of document WT/ACC/4. A member noted that Lithuania had implemented domestic support and export subsidy programmes very recently and wondered why Lithuania had implemented programmes which could be in contrast with WTO provisions after deciding to join the organization.

122. The representative of Lithuania said that agriculture was of exceptional economic and social significance to Lithuania. One third of Lithuania's population resided in rural areas and the production of primary agricultural commodities provided work for 23 per cent of the total employed workforce in Lithuania. Milk production was one of the most important economic activities in Lithuania. However, agricultural production was hampered by small-scale, inefficient farming and marketing infrastructure. Domestic prices for most agricultural commodities were below the world market level, but prices for final products could sometimes be equal to, or higher than, world market prices. The Government aimed at creating a competitive agricultural sector and a viable rural economy while minimizing the negative social and economic consequences during the period of transition. The average weighted tariff on major food products (milk, dairy products, butter, eggs, sausages and sugar) was 27.5 per cent.

123. Some members were particularly concerned about subsidies granted in the form of [government] purchases of agricultural production at "recommended" prices. The representative of Lithuania explained that farmers were supported through the mechanism of minimum (recommended) purchase prices for

wheat, flax, rape seeds, fodder for leguminous crops, pork, milk and high-quality cattle. The product coverage of the minimum price programme could be expanded in extreme situations. Prices were determined by average production costs in Lithuania and the market situation in neighbouring countries. A subsidy element was added to the minimum prices within fixed purchasing quotas for high quality produce. Subsidies were channelled to farmers through the processors to reduce paperwork. Subsidies were granted through the National Agricultural Development Programme and also through the Agriculture Support Fund, created in 1994 through the amalgamation of various existing funds such as the Sowing Fund. Types of assistance also included soft credits and preferential loans (at 5 per cent annual interest) for farmers, support to trade intermediaries and services providers, rebates on agricultural machinery, support for cooperative efforts among farmers, ecologic farming and compensation for accidents and calamities. The State also offered indirect support by financing land reclamation works, liming of soil, construction of roads and other infrastructure, animal breeding and agricultural research and training. Tax concessions to the sector consisted of exemption from corporate profit tax and tax holidays on reclaimed land. The Government also encouraged diversification in rural areas and afforestation.

124. In 1997, the Government decided to channel all fiscal resources for the National Agricultural Development Programme and the Agriculture Support Fund into a Rural Support Fund to improve the efficiency and administration of State support to the agricultural sector. The Ministry of Agriculture and Forestry had established ~~would oversee the creation and utilization of~~ the Rural Support Fund. The main purpose of the Fund was to create viable farms which would guarantee employment and income for farmers. The Rural Support Fund would facilitate a gradual move from price subsidies to maintaining producer income through the application of price support and other economic measures on the main agricultural products. The Fund would also finance investment programmes. Some of the programmes financed from the fund were: the establishment of farmer and cooperative societies; agro-services; new technologies; livestock breeding; ecological (environmentally-friendly) farming; structural adjustment of marginally productive land; and the development of quality systems for agricultural products.

125. A member noted that Lithuania subsidized certain agricultural exports and requested Lithuania to bind its export subsidies at zero and use other, less distortive, forms of agricultural support. The representative of Lithuania explained that export subsidies were provided for storage of surplus production and improvement of marketing conditions. In 1995, export subsidies had been provided for beef, pork, butter, cheese and condensed milk at a budget cost of Ltl 27.8 million. Lithuania would also subsidize exports of pork and dairy products in 1996, and expected to continue applying such subsidies in the future, especially in extreme market situations.

126. The representative of Lithuania stressed that Lithuania's agriculture regime was still in a period of transition. Lithuania was revising its agricultural policies and had developed ~~would develop~~ a new system for domestic support to agriculture (outlined in paragraph 124) ~~by 1 July 1997~~. The Working Party would be informed about the new policy and support measures once the new system had been appropriately defined.}]

127. Some members asked specific questions regarding measures affecting the sugar sector, notably the possible introduction of ~~reference~~ minimum import prices and the opening of tariff-rate quotas for domestic processors. Lithuania was reminded that Article VII of the GATT 1994 and the WTO Agreement on Agriculture prohibited the use of reference prices.

128. The representative of Lithuania said that ~~raw~~ sugar (HS code 1701.11-1702.12) was protected by tariffs of 35 per cent *ad valorem* (minimum Litass 0.75 per kg), ~~sugar~~ (HS code 1701.91-1701.99) by tariffs of 87 per cent, other sugar products (HS codes 1702.30 ~~03~~, 1702.40, 1702.90) by tariffs of 35 per cent, and confectionery made of sugar (HS code 1704.10.11-1704.90.51, 1704.90.61-1704.90.99) by tariffs of 25-30 per cent, and processors were provided seasonal soft credits. Imports could also take place under tariff-rate quotas, but processors would first need to exhaust reserves of domestic sugar. The zero-tariff quota was distributed by consensus among the four domestic sugar refineries. Producers of sugar had also been exempted from provisions of the Law on Competition to allow the establishment of a producer association, but no such association had been formed yet. Lithuania intended to liberalize the sugar regime further when production had risen to match domestic demand.

129. The representative of Lithuania stated that Lithuania intended to eliminate the ~~reference~~ minimum import price on raw sugar ~~imports~~ before accession to the WTO.

[to be completed]

#### [Alcohol and Alcoholic Beverages

[130. A member considered Lithuania's restrictions on trade in alcohol equivalent to State-trading. A distribution monopoly maintained by the State could also distort import prices. This member asked Lithuania to provide the criteria upon which the licensing system for alcoholic beverages was based and explain how Lithuania's restrictive import system could be consistent with WTO rules.]

131. The representative of Lithuania said that his Government had established a State Tobacco and Alcohol Control Agency on 12 July 1996 in accordance with the Law on Health System and the Law on Alcohol Control. The main functions of the Agency were to formulate and implement State policy in cooperation with Ministries and other governmental institutions with a view to discouraging consumption and reducing its harmful effects on the population. The Agency itself did not engage in trade, but performed various trade-related administrative and monitoring tasks, including the issuance of activity licences, monitoring of adherence to legal requirements, establishment of additional marking procedures for imported alcoholic beverages, etc.

132. Activity licensing was used to regulate trade; separate licences were issued for wholesale trade in alcoholic beverages produced in Lithuania, importation and retail trade. In all, during 1995 about 12,000 wholesale and retail licences had been issued, and about 11,000 wholesale and retail licences in the course of 1996. The Agency issued licences for importation and wholesale trade in alcoholic beverages while retail traders obtained authorization from municipal authorities. The activity licensing for importation had been changed. Parliament had approved the Law on Amendment and Supplement to the Law on Alcohol Control on 8 April 1997. One of the purposes of the new Law was to harmonize the existing Law on Alcohol Control with the provisions of the WTO. The new Law did not restrict the number of activity licences to import alcoholic beverages and did not require importers to limit their choice of imports to foreign companies included in the bulletins of the Association of Manufacturers of Alcoholic Beverages. According to the provisions of the new Law, there were no tenders for issuing activity licences for importation of alcoholic beverages or for engaging in domestic trade. Activity licences for importation of alcoholic beverages were accordingly now granted to all applicants against payment of the stamp tax provided the companies were registered in Lithuania, followed the regular procedures for obtaining a licence, and submitted all documentation required under Lithuanian law. The conditions for new entrants had improved as no credit was given for prior experience as an importer. In addition, the licences to engage in importation, production, and wholesale and retail trade of alcohol of no more than 22 per cent alcohol content - previously valid for one year only - were now of unlimited duration.

133. Importers of alcoholic beverages paid an annual stamp tax for the right (licence) to import. The levies had been introduced to encourage responsible importers who would be prepared to follow customs and tax procedures and pay the required tariffs and taxes, to control the selection of importers and avoid importation of counterfeit or low-quality products, to stimulate the consumption of lower alcohol content beverages, and for fiscal reasons. When granting the activity licence the Government would specify the type of beverage to be imported by a particular enterprise, i.e. vodka, vodka and



other spirits, wine, etc., but not the value or volume. New rates of stamp tax had been established in June 1997 in accordance with Government Resolution No. 640. An activity licence, valid for one year, to import vodka and other spirits cost 470,000 Litas (US\$117,500); for other beverages (except vodka) 380,000 Litas (US\$95,000) to import vodka and other spirits cost 500,000 Litas (US\$125,000); for other spirits 400,000 Litas (US\$100,000, and for wine 150,000 Litas (see Table 4 for a full list of these stamp taxes). An activity licence to import alcoholic beverages would also cover wholesale of the products. The importation/wholesale licence also included a larger number of beverage brands (about 400) than a wholesale licence for domestically-produced beverages (some 100-150 products). The Government was planning a review of the stamp tax system to see if it could be changed to reflect any improvements in the market situation.

134. The State Tobacco and Alcohol Control Agency also issued activity licences for domestic production. The representative of Lithuania stressed that domestically-produced alcohol was subject to the same restrictions and regulations as imported products with one exception concerning the enterprise "Lietuviskas Midus" (Lithuanian Mead Brandy). The activity licence allowed the company to produce a special national mead brand ("Zalgiris") which alcohol content exceeded 50 per cent. This mead was also exported, while importation of beverages with alcohol content greater than 50 per cent was prohibited.

[135. A member stated that Lithuania's system of activity licensing appeared to restrict trade in alcoholic beverages in a manner conflicting with the provisions of Article XI and Article XVII of the GATT 1994. The Government seemed to play a controlling role in the selection and limitation of firms engaging in trade in these products, in effect creating State-trading enterprises. Specifically, this member also noted that the company "Lietuvidkas Midus" held monopoly rights on the production of high-alcohol beverage and considered this company a State-trading enterprise under Article XVII.]

136. The representative of Lithuania replied that "Lietuviskas Midus Ltd." was a cooperative consumers' enterprise producing mead in accordance with patented ancient recipes which Lithuania considered to be part of its national heritage. Thus, due to the fact that the enterprise followed ancient traditions of manufacture and was the only enterprise in Lithuania which manufactured national beverages, the Government had granted "Lietuviskas Midus" the right to manufacture one traditional alcoholic beverage until the year 2001. The State did not provide the company with privileges or subsidies, and the company had no obligations towards the State. The company could import inputs for the production of mead without restrictions. [Lithuania was considering notifying "Lietuviskas Midus" as a State-trading enterprise.]

137. Lithuania had established the legal basis for introduction of a State monopoly on alcohol products in cases of force majeure (war, famine and natural disasters), a measure he felt could be justified under Articles XX(b) and (d). The present situation did not qualify as force majeure. The Law on Alcohol Control also authorized the introduction of production and import quotas for certain alcohol products should the number of patients suffering from alcoholic psychosis exceed levels established by the Ministry of Health. However, these provisions had not been applied thus far.

138. A member noted that excise taxes on imported and domestic beer were not equal. The representative of Lithuania said that excise taxes were differentiated for certain domestically-produced and imported wine and beer in accordance with Government Resolution No. 328 of 9 April 1997. A lower rate of excise tax (0.2 Litass per litre) had been established for small producers of beer, i.e. those with annual production below 100,000 dekalitres. The representative of Lithuania replied that this preferential treatment was a transitional measure to be eliminated from the date of accession to the WTO. The Government and that Lithuania was currently considering other, fully WTO-consistent, support measures for these enterprises.

139. The representative of Lithuania said that the Ministry of Agriculture and Forestry authorized imports of non-bottled alcoholic beverages and raw materials for alcoholic beverages at zero tariff under ~~the~~ general tariff-rate quotas (30 per cent reduction of the tariff rate) opened in accordance with Government Resolution No. 268 of 24 March 1997 ~~653 of 8 May 1995~~. Permission was granted automatically upon presentation of an application and a sales contract, but only to companies holding activity licences for the production of alcoholic beverages, i.e. nine authorized producers (not necessarily "State enterprises") which had obtained licences from the State Tobacco and Alcohol Control Agency to import alcohol and produce alcoholic beverages. Enterprises not licensed for the production of alcoholic beverages could import such raw materials at the MFN rate of duty. The system had been introduced to fight illegal production of counterfeit alcoholic products. Tariff quotas for imports of ethyl alcohol for technical uses were granted automatically to companies substantiating their needs.

[to be completed]

]

#### Trade-Related Intellectual Property Regime

140. Some members of the Working Party asked Lithuania to describe its system of protection of intellectual property in the light of the WTO Agreement on Trade-Related Aspects of Intellectual Property

Rights (TRIPS) and indicate areas which would be subject to new or revised legislation. A member noted that Lithuania's intellectual property rights regime was still being developed and that the current regime did not meet all the requirements of the WTO, and requested Lithuania to accelerate its legislative process in order to ensure full implementation of the TRIPS Agreement at the time of accession to the WTO.

141. Lithuania provided a note on TRIPS to the Working Party in document WT/ACC/LTU/7 (Annex I). In response to specific questions, the representative of Lithuania said that national legislation - including laws on patents, industrial design, trademarks and service marks, the Law on Competition, the Criminal Code and provisions of the Civil Code - largely corresponded to the basic provisions of the TRIPS Agreement. Lithuania's legislation on intellectual property contained no exceptions to the principle of national or MFN treatment. Lithuania did not use the possibilities provided in Article 6 of the Berne Convention or paragraph 1(b) of Article 16 of the Paris Convention and maintained no exceptional measures as provided for under Article 4(d) of the TRIPS Agreement.

142. Lithuania joined the World Intellectual Property Organization (WIPO) in 1992 and the Paris Convention in 1994. On 17 September 1996, the Seimas (Parliament of Lithuania) ratified the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of Registration of Marks of 15 June 1957. In the area of copyright and related rights, Lithuania joined the Berne Convention (Paris Act, 1971) in 1994, and intended to join the Geneva Convention "On the Protection of Producers of Phonogrammes Against Non-Authorized Duplication of their Programmes", and the Rome Convention in 1997. Lithuania had also concluded international agreements on intellectual property with Denmark, Norway, Switzerland, the United States and the European Patent Organization, and adhered to the Multilateral Trademark Law Treaty.

143. Parliament had adopted a Law on the Amendment and Supplement to the Civil Code in May 1994, covering copyright (Chapter 4) and neighbouring rights (Chapter 5). Authors, artists and creators had founded the Lithuanian Copyright Protection Association (LATGAA) which was concluding agreements with similar organizations in other countries. Broadcasting organizations maintained copyright on radio and television programmes according to Article 526(4) of the Civil Code. Lithuanian law did not contain provisions on compulsory licensing of works and sound recordings. Current legislation did not provide rental rights for cinematographic works, computer programs or sound recordings, but Lithuania intended to adopt a Law on Copyright and Neighbouring Rights to introduce such rental rights by December 1997 amend the Civil Code to introduce such rental rights by December 1996. The amended Civil Code would also include more elaborate provisions on exceptions and limitation

~~of exclusive rights in compliance with Articles 13, 30 and 31 of the TRIPS Agreement.~~ A draft Law, corresponding to the regulations of international conventions on copyright and neighbouring rights and the requirements of the TRIPS Agreement, had been prepared with assistance from WIPO. The protection of the rights of performers, phonogram producers and broadcasting organizations would correspond fully to the requirements of Article 14 of the TRIPS Agreement.

144. Lithuania considered the exceptions in its law to the rights conferred by a trademark to be in compliance with Article 17 of the TRIPS Agreement. Geographical indications were protected under Article 7 and other provisions of the existing Law on Competition. However, Seimas was expected to adopt a new Law on Competition during 1997. The representative of Lithuania said that the draft law contained provisions regarding the use of geographical indications which complied fully with Articles 22 to 24 of the TRIPS Agreement.

145. The representative of Lithuania said that the Law on Patents appeared to require amendments to incorporate the provisions of the TRIPS Agreement and the Paris Convention regarding compulsory licensing of patented inventions. Disputes regarding working or non-working of a patent could be settled in Court. Generally, importation of a patented product should be considered equivalent to the use of a patent.

146. The representative of Lithuania said that the Ministries and institutions involved in the development of intellectual property rights legislation were accelerating their work. The Government had prepared a draft ~~Lithuania was preparing~~ Law on the Protection of Layout Designs of Integrated Circuits, conforming with Articles 35 to 38 of the TRIPS Agreement, and planned to submit the draft Law to Parliament for approval by the end of 1997. The Law on Legal Protection of Computer Programs and Data Bases and the Law on Plant Variety Protection and Seed Growing had been adopted in 1996. The latter Law assured the protection of all plant varieties registered in Lithuania and guaranteed the rights of variety owners. Lithuania was not a member of the International Plant Variety Protection Organization (UPOV) and would not join UPOV until varieties of Lithuanian breeders had been recognized and registered in countries in western Europe.

147. Intellectual property rights were enforced by civil action, unless the infringement was considered a criminal violation. Procedures were laid down in the Civil Code and the Code of Civil Process of the Republic of Lithuania. The Laws on Trademarks, Patents and Industrial Design contained specific provisions regarding owners' rights to stop infringements and claims for compensation; remedies against

violations of copyright and related rights were provided under the Civil Code and the Criminal Code and the Code of Administrative Law Infringements.

[148. Some members sought confirmation that Lithuania would apply the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights by the date of its accession to the WTO, without recourse to any transitional period.]

149. The representative of Lithuania said that without major technical and financial assistance from WTO Members, Lithuania would not be able to implement fully the TRIPS obligations upon the date of its accession to the WTO, and would require a four-year transition period to bring its legal, institutional and enforcement regimes fully into conformity with WTO requirements. Although Lithuanian legislation regulating the protection of industrial property (patents, industrial design, trademarks and service marks, etc.), copyright, plant varieties, etc. nearly corresponded to the requirements of the TRIPS Agreement, the system of institutions enforcing protection of intellectual property had not been fully established and developed as required by Articles 41, 50 and 51. Specifically, Lithuania had not yet been able to establish a legal basis for enforcement of copyright and neighbouring rights. Lithuania did not regulate, and had not established, a system for the collective administration of rights for performers and producers of phonograms or producers of sound and visual recordings. Accordingly, Lithuania currently could not enforce Article 11 on Rental Rights and Article 14.4 on Protection of Performers, etc. In addition, Lithuania could not provide for criminal penalties or border enforcement of copyrights and other intellectual property. Lithuania currently also did not meet the time-frame under Article 62(2) regarding registration of patents, trademarks and service marks.

#### Policies Affecting Trade in Services

[Reference to annexed schedule to GATS. A revised offer of initial commitments on trade in services circulated as document WT/ACC/SPEC/LTU/1/Rev.1 of 17 September 1997 of 30 July 1996.]

150. The representative of Lithuania submitted to the Working Party a separate Memorandum on the services regime (WT/ACC/LTU/5), an additional presentation (WT/ACC/LTU/9) and supplementary information in document WT/ACC/LTU/10. The documentation outlined the market structure, regulatory framework and policies affecting services generally or in relation to specific sectors. Concerning the development of services-related legislation, he added that Lithuania had adopted several new laws or amendments during 1996, notably the Law on Insurance, Law on Public Trading of Securities,

amendments and supplements to the Law on Commercial Banks, Law on Construction, Law on Mass Media, the Civil Aviation Code, Inland Transport Code, Road Transport Code and the Railway Transport Code. Other significant new legislation included Government Resolution No. 1550 "On Granting Licences to Provide Tourism Services" and Government Resolution No. 94 providing regulations for research, conservation, reservation and restoration of cultural values.

151. The representative of Lithuania said that requirements for the registration of an enterprise were the same irrespective of the nationality of ownership, except that a foreign investor would need to submit certificates of incorporation for legal persons, documentation on the financial condition/status, and verification of the origin of the foreign capital. Foreign investment was permitted in all sectors with the exception of areas related to defence and national security; production and sale of narcotic substances, and other non-medicinal or poisonous substances having similar effects; cultivation and sale of crops containing narcotic substances or substances with similar effects; and the organization of lotteries. The State Post Office was the only service supplier with monopoly or exclusive rights; its rights concerned collection and delivery of letters, postcards and printed matter; installation of letter collection boxes; and issuance of postage stamps. The State enterprise "Lietuvas Telekomas" no longer held exclusive rights to provide telecommunication services.

152. The representative of Lithuania provided information on licensing of business activities in the area of services in [Table 3.2](#). In addition, the establishment of a commercial bank required a licence issued by the Bank of Lithuania. A licence was required for enterprises with less than 50 per cent State capital to engage in exploitation of railways, ports, airports, State roads, pipelines, electricity and communication lines. The Government would amend the Law on Enterprises in the near future and as a result the number of licensed activities would be reduced.

153. Lithuania did not maintain any specific measures of horizontal nature which would limit market access or national treatment in the financial services sector. Permission from the Bank of Lithuania was required for foreign banks to establish subsidiaries or bank agencies. According to the Law on Commercial Banks of 21 December 1994, foreign banks could establish subsidiaries; acquire shares of a new or operating bank (acquisition of a block of shares (10 per cent or more) in an operating bank required the consent of the Bank of Lithuania); and establish branches and representative offices. Domestic and foreign investors needed prior approval from the Bank of Lithuania to acquire 10 per cent or more of the shares in existing banks. Minimum capital requirements were the same for domestic and foreign banks; the minimum was set to increase from ECU 1.9 million (in Litas equivalent) to ECU 5.0 million on 1 January 1998. Lithuania intended to approximate its banking laws with

European Communities' directives which could lead to further liberalization. Foreign securities firms could conduct business through any legal form of enterprise in Lithuania.

154. Insurance services were provided by 35 companies, of which 6 included foreign participation. The State Insurance Company had held exclusive rights to issue all types of mandatory insurance and pensions insurance; the company would be privatized under a new Law on Insurance. The new Law would codify the current situation, under which all exclusive rights for the State Insurance Company had been eliminated. The Law would enable foreign insurance companies to established wholly-owned companies, joint-ventures or subsidiaries provided the foreign insurance company had permission from its own Government to conduct insurance activities in foreign countries. Foreign financial institutions were permitted to deliver transportation insurance (maritime and aviation) and reinsurance services across the border. Insurance inter-mediation on behalf of foreign insurance companies was allowed for intermediaries registered in Lithuania.

155. Concerning the supply of professional services by foreigners, the Lithuanian Labour Exchange issued work permits and would evaluate and fully recognize the qualifications of applicants in accordance with the documentation submitted. Lithuania had no agreements with other countries regarding the recognition of qualifications. Lithuania was developing licensing procedures for auditing services. Auditors were required to pass a qualifications examination and receive a licence issued by the Institute of Audit. Legal services were regulated by the Ministry of Justice and could be provided by advocates and lawyers licensed to engage in such activities. However, foreigners could not act as defenders in criminal proceedings; such services were reserved for advocates who were citizens of Lithuania and included in a list of attorneys. Foreign attorneys could represent clients before the Courts in Lithuania only if provided under bilateral agreements on legal assistance. Agreements were in force with Belarus, Estonia, [Kazakhstan], Latvia, Moldova, Poland, the Russian Federation, [Turkey] and Ukraine. The limitations on citizenship, which were applicable to advocates (representing clients before the Courts), were not applied to lawyers wishing to engage in other lawyers' practices.

156. The Government established an annual quota on the number of foreign employees in accordance with the Regulation on Temporary Employment of Foreigners of 13 February 1995. Employers applied to the Lithuanian Labour Exchange which would issue special visas and work permits for foreigners. This regulation was not applied to intra-corporate transferees (managers, executives and specialists) working 1 to 2 years with a possibility of extension, or to business visitors working no longer than 3 months, for purposes related to the negotiation of contracts, training of staff, installing equipment

~~and similar activities key personnel: managers, specialists or consultants in enterprises with foreign capital, working for 3 months or less to install equipment or train local staff.~~

157. Regarding procurement of services by government agencies, the representative of Lithuania said that the Law on Public Procurement (entering into force on 1 January 1997) included provisions on preferences for local suppliers. These preferences would not exceed 15 per cent for goods and services, and 20 per cent for works. Lithuania had no agreements with third countries concerning government procurement of services.

158. The representative of Lithuania said that his Government was working with responsible Ministries, organizations and Parliament to ensure that WTO requirements were reflected in new laws and regulations. Lithuania's services regime did not discriminate among services or service supplier countries (Article II) except as provided in economic integration agreements meeting the standards of Article V of the GATS. The Government provided full information on laws and regulations in the Official Gazette as required under Article III, and was drafting qualification requirements, technical standards and licensing requirements in accordance with the requirements of Article VI.

[to be completed]

#### Transparency

##### Publication of information on trade

159. The representative of Lithuania stated that according to Lithuanian procedures legal acts could not be enforced until they had been published in the Official Gazette "~~State news~~".

160. The representative of Lithuania stated that at the latest from the date of accession, all laws, ~~regulations, rulings, decrees~~ and other normative acts related to trade would be promptly published in the Official Gazette or other official newspapers published by appropriate Ministries or departments. He stated further that no law, rule, etc. related to international trade would become effective prior to such publication. {The Working Party took note of this commitment.}

~~153. [A member sought expansion of Lithuania's commitment on transparency to include all trade law regulations, rulings, decrees and other normative measures related to trade.]~~



### Notifications

161. The representative of Lithuania said that at the latest upon entry into force of the Protocol of Accession, Lithuania would submit all notifications (other than those required to be made on an ad hoc basis) required by any Agreement constituting part of the WTO Agreement. Any regulations subsequently enacted by Lithuania which gave effect to the laws enacted to implement any Agreement constituting part of the WTO Agreement would also conform to the requirements of that Agreement. The Working Party took note of this commitment.

### Trade Agreements

162. Some members of the Working Party asked Lithuania to provide information on bilateral or regional agreements affecting trade and investment. Some members wondered whether the free trade agreements covered substantially all trade. Lithuania was asked to notify its free trade agreements. A member requested a copy of the Trilateral Agreement on Agricultural Trade between the Baltic countries, including the specific market access provisions for the removal of barriers among the three countries.

163. The representative of Lithuania said that Lithuania had negotiated Free Trade Agreements (FTA's) with the European Communities, the European Free Trade Association (EFTA), Estonia and Latvia (a trilateral agreement), Ukraine, Poland, Slovenia, the Czech Republic, Slovakia and Turkey (the latter ~~last three~~ had not entered into force). Lithuania intended to conclude free trade agreements with all CEFTA countries. A Free Trade Agreement between Lithuania, Estonia and Latvia covering industrial products had entered into force on 1 April 1994 and a Free Trade Agreement on agricultural products on 1 January 1997. Both FTAs provided for free trade (no interim measures) at zero tariffs among the Baltic States.

164. Trade agreements providing for MFN treatment (conventional duties) had been concluded with Australia, Belarus, Bulgaria, China, Cyprus, Cuba, ~~the Czech Republic~~, Georgia, Hungary, Iceland, India, the Republic of Korea, [the Philippines], Romania, the Russian Federation, ~~Slovakia, Slovenia,~~ Turkey, Uzbekistan, { Venezuela } and { Vietnam }. Conventional MFN duties were also applied on imports from Canada, Japan, Kazakstan, Moldova, Tadjikistan and the United States. Goods originating in other countries were subject to autonomous customs duties. Agreements on investment promotion and protection had been concluded with [Argentina], { Austria }, China, the Czech Republic, Denmark, Estonia, Finland, France, { Germany }, { Greece }, Israel, { Italy }, Kazakstan, Republic of Korea,

Latvia, Netherlands, Norway, Poland, Romania, Spain, Sweden, Switzerland, { Turkey }, Ukraine, United Kingdom, Venezuela [and Vietnam]. Lithuania had also concluded an agreement with the Multilateral Investment Guarantee Agency.

165. The representative of Lithuania said that the free trade agreements covered substantially all trade. Under the Lithuania/European Communities Agreement, tariffs would nevertheless remain on some agriculture and fishery products after the six-year transitional period to implement the agreement. This FTA had already been notified by the European Communities under Article XXIV. Preferential treatment was granted in the form of tariff-rate quotas for some products; quota amounts were listed in Annex XIII, and the respective in-quota tariff rates in Annex XII, of the Free Trade Agreement. Tariff quotas in the context of preferential trade were only applied towards the European Communities; the relevant implementing regulation (Government Resolution No. 205 of 8 February 1995 and No. 515 of 26 May 1997) had been provided to the Working Party. The tariff-rate quotas concerned tariff positions HS 0201, 0202, 0203, 0406 and 1601.

166. The Free Trade Agreements with the European Communities and EFTA States were asymmetric, but only for industrial products. The two agreements were similar in content, except that the agreement with EFTA States contained a smaller number of products subject to a transitional period and provided a specific date for the abolition of import duties on textile products. The FTA with EFTA included agricultural products, but the trade regime was based on reciprocal concessions from the MFN level. The FTA with EFTA had already been notified by EFTA under Article XXIV. The FTA with Ukraine stipulated MFN treatment for the majority of agricultural products, for the remaining items the tariff was zero. The Agreement included Annexes on rules of origin and administrative cooperation which were signed in February 1994. New rules of origin were in preparation and would be similar to those established in the FTAs with the European Communities, EFTA and CEFTA countries. The Parties of the Agreement committed to ensure free transit of goods through their customs territory. He stated that the Agreement with Ukraine was in conformity with the provisions of GATT 1994. [Some members requested Lithuania to supply the full text of its Agreement with Ukraine.]

167. A member noted that Lithuania applied export taxes which were differentiated according to the market of destination and wondered whether Lithuania intended to maintain this practice. The representative of Lithuania replied that Lithuania maintained some export duties on a bilateral basis - on raw hides and skins and timber of oak and ash - in connection with the Free Trade Agreements with the European Communities, the Czech Republic, Slovakia, Slovenia and a Trilateral Free Trade Agreement between Lithuania, Latvia and Estonia. The Free Trade Agreement with Poland also allowed

the possible use of export duties. Exports of the affected products were prohibited at the time of conclusion of these Free Trade Agreements and the introduction of export duties (on a bilateral basis) had thus been a step towards liberalization of trade. The preferential duties were generally equal to the non-preferential rates although in some cases preferential trade was exempt from export duties or subject to lower rates. He said that this practice could be justified under Article XXIV of the GATT 1994.

168. Preferential rules of origin were in place in the context of all free trade agreements. The origin of goods was determined in accordance with list of rules applied for all products. Declarations of preferential origin, accompanied by a statement of an independent expert, were made by the suppliers of materials or products in accordance with Government Resolution No. 110 of 24 February 1993. Simplified procedures had been established in the appropriate Protocols on the Rules of Origin in the Free Trade Agreements concluded by Lithuania and were used when EUR.1 movement certificates had been issued by approved exporters.

169. The representative of Lithuania stated that his Government would observe the provisions of the WTO including Article XXIV of the GATT 1994 and Article V of the GATS in its trade agreements, and would ensure that the provisions of the WTO Agreements for notification, consultation and other requirements concerning preferential trading systems, free trade areas and customs unions of which Lithuania is a member are met from the date of accession<sup>[</sup>, in so far as these provisions had not already been met by one of the other Parties to such an agreement<sup>]</sup>. Also, Lithuania confirmed the commitment that Lithuania will meet its obligations under the WTO, in this case Articles XXIV of the GATT 1994 and V of the GATS. { The Working Party took note of this commitment. }

~~{A member sought an unambiguous commitment from Lithuania that it will meet its obligations under the WTO, in this case Articles XXIV of the GATT 1994 and V of the GATS. Lithuania should commit that it will observe the provisions of the WTO including Article XXIV of the GATT 1994 and Article V of the GATS in any trade agreements in place at the time of accession, ensuring that the provisions of these WTO Agreements for notification, consultation, and other requirements concerning preferential trading systems, free trade areas, and customs unions of which Lithuania is a member are met from the date of accession.}~~

Conclusions

170. The Working Party took note of the explanations and statements of Lithuania concerning its foreign trade regime, as reflected in this Report. The Working Party took note of the assurances given by Lithuania in relation to certain specific matters which are reproduced in paragraphs..... of this Report. The Working Party took note of the commitments given by Lithuania in relation to certain specific matters which are reproduced in paragraphs ..... of this Report. The Working Party took note that these assurances and commitments had been incorporated in paragraph .... of the Protocol of Accession of Lithuania to the WTO.

171. Having carried out the examination of the foreign trade regime of Lithuania and in the light of the explanations, commitments and concessions made by the representative of Lithuania, the Working Party reached the conclusion that Lithuania be invited to accede to the Marrakesh Agreement Establishing the WTO under the provisions of Article XII. For this purpose, the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this Report, and takes note of Lithuania's Schedule of Specific Commitments on Services (document.....) and its Schedule of Concessions and Commitments on Goods (document .....) that are annexed to the Protocol. It is proposed that these texts be adopted by the General Council when it adopts the Report. When the Decision is adopted, the Protocol of Accession would be open for acceptance by Lithuania which would become a Member thirty days after it accepts the said Protocol. The Working Party agreed, therefore, that it had completed its work concerning the negotiations for the accession of Lithuania to the Marrakesh Agreement Establishing the WTO.

[to be completed]

APPENDIX

ACCESSION OF LITHUANIA

Draft Decision

The General Council,

Having regard to the results of the negotiations directed towards the establishment of the terms of accession of the Republic of Lithuania to the Marrakesh Agreement Establishing the World Trade Organization and having prepared a Protocol for the Accession of Lithuania,

Decides, in accordance with Article XII of the Marrakesh Agreement Establishing the World Trade Organization, that the Republic of Lithuania may accede to the Marrakesh Agreement Establishing the World Trade Organization on the terms set out in the said Protocol.

PROTOCOL OF ACCESSION OF LITHUANIA  
TO THE MARRAKESH AGREEMENT ESTABLISHING  
THE WORLD TRADE ORGANIZATION

Draft

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the General Council of the WTO accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as the "WTO Agreement"), and the Republic of Lithuania (hereinafter referred to as "Lithuania"),

Taking note of the Report of the Working Party on the Accession of Lithuania to the WTO in document WT/ACC/LTU/... ~~WT/L...~~ (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the accession of Lithuania to the WTO,

Agree as follows:

Part I - General

1. Upon entry into force of this Protocol, Lithuania accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.
2. The WTO Agreement to which Lithuania accedes shall be the WTO Agreement as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall comprise the commitments referred to in paragraph ... of the Working Party Report, shall be an integral part of the WTO Agreement.
3. Except as otherwise provided for in the paragraphs referred to in paragraph ... of the Working Party Report, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement

shall be implemented by Lithuania as if it had accepted that Agreement on the date of its entry into force.

4. Lithuania may maintain a measure inconsistent with paragraph 1 of Article II of the GATS provided that such a measure is recorded in the list of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

#### Part II - Schedules

5. The Schedules annexed to this Protocol shall become the Schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the "GATT 1994") and the Schedule of Specific Commitments annexed to the General Agreement on Trade in Services (hereinafter referred to as "GATS") relating to Lithuania. The staging of concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.

6. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.

#### Part III - Final Provisions

7. This Protocol shall be open for acceptance, by signature or otherwise, by Lithuania until .....

8. This Protocol shall enter into force on the thirtieth day following the day of its acceptance.

9. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance thereto pursuant to paragraph 7 to each Member of the WTO and Lithuania.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

11. Done at Geneva this ... day of .... one thousand nine hundred and ninety ....., in a single copy in the English, French and Spanish languages each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one or more of these languages.



ANNEXES

[to be completed]

ANNEX 1

Laws, Regulations and Other Information Provided to the Working Party by Lithuania

- Law on Enterprises of 8 May 1990, No. I-196;
- Law on Prices of 26 July 1990, No. I-413;
- Law on Taxes on Profits of Legal Persons of 31 July 1990, No. I-442;
- Law on Partnerships of 16 October 1990, No. I-676;
- Law on Foreign Investment in the Republic of Lithuania of 29 December 1990, No. I-905;
- Law on Taxes on State Natural Resources of 21 March 1991, No. I-1163;
- Law on Spheres of Business Activity wherein Foreign Investment is Prohibited or Limited of 2 May 1991, No. I-1276;
- Law on Small Enterprises of 20 December 1991, No. I-2125;
- Law on Competition of 15 September 1992, No. I-2878;
- Law on Enterprise Bankruptcy of 15 September 1992, No. I-2880;
- Law on Customs Tariffs of 27 April 1993, No. I-138;
- Cooperative Law of 1 June 1993, No. I-164;
- Law on Trademarks and Service Marks of 3 June 1993, No. I-173;
- Law on Foreign Currency in the Republic of Lithuania of 7 July 1993, No. I-202;
- Law on Value-Added-Tax of 22 December 1993, No. I-345;
- Patent Law of 18 January 1994, No. I-372;
- Law on the Credibility of the Litas of 17 March 1994;
- Law on Excise Taxes of 12 April 1994, No. I-429;
- Company Law of 5 July 1994, No. I-528;
- Government Decision on Registration of Representation Offices of Foreign Enterprises and Banks in the Republic of Lithuania of 31 May 1991, No. 223;
- Government Decision on Veterinary and Sanitary Requirements on Livestock, their Products, Raw Materials and Fodder Imported into the Republic of Lithuania and Transported as Transit through its Territory of 27 April 1993, No. 284;
- Government Decision on the Approval of Vegetable Quarantine Regulations for Import and Export of Goods of Vegetable Origin to and from the Republic of Lithuania and their Transit through the Territory of the Republic of Lithuania of 3 August 1993, No. 599;
- Government Decision on More Stringent Regulations on Purchase and Sale of Waste and Scrap of Ferrous Metals of 23 May 1994, No. 388;

- Government Decision on Order of Purchase in the Republic of Lithuania, Re-melting of Export of Copper and other Non-ferrous Metals, their Alloys, Scrap and Waste of 29 June 1994, No. 526;
- Government Decision on the Procedure of Commodity Export and Import Regulation in the Republic of Lithuania of 14 October 1994, No. 985;
- New excise duties (January 1995);
- Law on the Amendment and Supplement to the Civil Code of the Republic of Lithuania, No. I-459, 17 May 1994 (provisions on copyright);
- Law on the Fundamentals of Free Economic Zones, No. I-976, 28 June 1995;
- Law on Privatization of State-Owned and Municipal Property, No. I-1001, 4 July 1995;
- Law Concerning Control of Import, Transit and Export of Strategic Goods and Technologies, No. I-1022, 5 July 1995;
- Agreement between the Government of the Kingdom of Norway and the Government of the Republic of Lithuania concerning Trade in Agricultural Products;
- Free Trade Agreement between the Swiss Confederation and the Republic of Lithuania;
- Free Trade Agreement between the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania;
- Agreement on Free Trade-Related Matters between the European Community, the European Atomic Energy Community and the European Coal and Steel Community, of the one part, and the Republic of Lithuania, of the other part;
- Schedule of tariffs approved by the Lithuanian Government's Resolution No. 443 (16 June 1993);
- Statistical data on imports into Lithuania of agricultural and food products;
- Statistical data on exports from Lithuania of agricultural and food products;
- Memorandum of Economic Policies of the Government of the Republic of Lithuania for the period 1 October 1994 and 30 September 1997;
- 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" of 28 February 1995;
- Law on Commercial Banks No. I-720 of 21 December 1994;
- Law on State Regulation of Economic Relations in Agriculture No. I-734 of 22 December 1994;
- Law on Trade No. I-747 of 12 January 1995;
- Law on Alcohol Control No. I-857 of 18 April 1995 (as amended by 3 July 1995);
- Law on Sugar No. I-867 of 27 April 1995;
- Law on Foreign Capital Investment in the Republic of Lithuania No. I-938 of 13 June 1995;

- Government Resolution No. 35 On the Approval of the Order of Foodstuffs Imported into the Republic of Lithuania and their Quality Control of 9 January 1995;
- Government Resolution No. 510 On Approving Provisional Regulations of Government Procurement of 12 April 1995;
- Government Resolution No. 511 On Approving Regulations of Rendering Services of 12 April 1995;
- Government Resolution No. 635 On the General Order of the Administration of Tariff Quotas for Implementation and Exportation of Goods of 8 May 1995;
- Government Resolution No. 718 On the Restriction of Import of Certain Things (Goods) to the Republic of Lithuania, their Export and Transit of 19 May 1995;
- Law on Industrial Design No. I-1006 of 4 July 1995;
- Government Resolution No. 205 On Enactment of the Free Trade Agreement between the Republic of Lithuania and the European Communities, the European Atomic Energy Community, and the European Coal and Steel Community of 8 February 1995;
- Government Resolution No. 1221 On Licensing Wholesale and Retail Trade in Import and Export of Oil Products and Retail Trade in Liquid Gas of 14 September 1995;
- Government Resolution No. 1459 On licensing Import, Wholesale and Retail Trade in Alcoholic Products of 17 November 1995;
- Government Resolution No. 1622 On Licensing the Production of Tobacco and its Products and their Import into the Republic of Lithuania of 27 December 1995;
- Law on Insurance No. I-590 of 20 September 1990;
- Law on Plant Protection No. I-1069 of 19 October 1995;
- Law on Communications No. I-1109 of 30 November 1995;
- Law on Tobacco Control No. I-1143 of 20 December 1995;
- Government Resolution No. 449 On the Approval of the Order of Customs Valuation of Goods of 16 June 1993;
- Government Resolution No. 1114 On the Approval of Customs Duties of Bound Tariff Rates for the Imported Goods of 26 September 1996;
- Regime of Import/Export Regulation in the Republic of Lithuania;
- Law on the Legal Protection of Computer Programs and Databases No. I-1188 of 30 January 1996;
- The Customs Code of the Republic of Lithuania of 6 June 1996;
- Law on Metrology No. I-1452 of 9 July 1996;
- Law on Insurance No. I-1456 of 10 July 1996;
- Law on Public Procurement No. I-1491 of 13 August 1996;

- Government Resolution No. 751 On the Customs Assessment of Prices for Imported Goods of 25 June 1996;
- Free Trade Agreement between the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania on Trade in Agricultural Products of 16 June 1996;
- Free Trade Agreement between the Republic of Lithuania and the Czech Republic;
- Free Trade Agreement between the Republic of Lithuania and the Slovak Republic;
- Free Trade Agreement between the Republic of Lithuania and the Republic of Slovenia;
- Law on the Protection of Plant Varieties and Seed Cultivation No. I-1518 of 17 September 1996;
- Law on Stamp Duty No. I-508 of 23 June 1994;
- Draft Law on the Conformity Assessment System; and
- Government Resolution No. 384 On the Approval of Quarantine Regulations for the Production, Transportation, Conservation, Sale and Utilization of Plants and Plant Products on the Territory of the Republic of Lithuania of 25 March 1996.

Table 1  
Privatization in Lithuania (1991 - 31 July 1997)  
(includes fully and partially privatized enterprises)

Sectors of economy	Stage I of privatization 1991 - August 1996		Stage II of privatization August 1996 - 31 July 1997		Percentage of State capital in sector which has been privatized
	Number of enterprises	Capital value (LTL million)	Number of enterprises	Capital value (LTL million)	
Industry	793	1,984.2	20	13.1	87%
Transport	161	128.2	2	0.015	31%
Construction	600	339.3	14	0.61	98%
Trade	1,721	226.9	45	3.38	77%
Public utility	345	34.8	5	0.262	29%
Services	991	57.5	5	0.234	98%
Other	1,103	612.1	67	4.0	96%
Total	5,714	3,383	158	21.6	73% (average)

[Table 2: List of Goods and Services Subject to Price Control]

Code according		Items subject to price control	Institution applying control	Reasons and perspectives for control
HS	NACE			
1	2	3	4	5
-	-	Price of land sold by the State, price of land for computing of land tax and land lease tax	Government	Regulation of land price is related to the restitution of the rights to private land ownership. Having implemented land reform and having restored property ownership, the regulation of prices for land will be abolished.
-	-	Tax tariffs for lease of the State-owned land and the State-owned water reservoirs	Government	Regulation is related to the State ownership for these items.
4010		Electricity production and transmission	Suppliers of electricity in coordination with the independent Commission of Energy Resources' Prices and Energy Activity Government	Controlled because of absence of sufficient competition in the market.
4020		Distribution of gas fuel (including only the distribution of natural gas)	Suppliers of natural gas in coordination with the independent Commission of Energy Resources' Prices and Energy Activity Government	Controlled because of absence of sufficient competition in the market.
4030		Supply of heat and hot water	Suppliers of heat and hot water in coordination with the independent Commission of Energy Resources' Prices and Energy Activity Government	Controlled because of absence of sufficient competition in the market. As the prices for heating provided for residents are partly subsidised from the State Budget, State price control will remain in the nearest future during the 1996-1997 heating season. It is planned to decentralise the heating economy by transferring it to local governments.

Code according	Items subject to price control	Institution applying control	Reasons and perspectives for control
HS	NACE		
1	2	3	4
		5	
	Prices and tariffs for goods and services of economic entities having a dominant position in the market:		
	- mineral fertilizers;	State Competition and Consumer Protection Office	Controlled because of a dominant position in the market.
2412	- cement;		Having adopted the new Law on Competition, this price control will be abolished.
2694	- limestone;		
1410	- limestone-powder.		
1410			
4100	Extraction, distribution and cleaning of water	Local governments	Controlled because of a monopoly position of the enterprises.
6010	Transportation of passengers by local railway routes	Ministry of Transport	Controlled because of a monopoly position of the stock company "Lithuanian railways".
6021	Transportation of passengers by other type of land transport (passenger buses of local and long distance routes)	Ministry of Transport and Local governments	Subsidised service, it is planned to liberalise these prices.
6022	Passenger transportation by taxi	Local governments	Controlled because of specific character of this service in order to avoid a taxi drivers abuse of unreasonably high prices.
6120	Transportation of passengers by local ship routes	Ministry of Transport	It is planned to liberalise prices for these services.
6323	Control activities of the airport and aeroplanes' flights, on land services (air navigation, terminal air navigation, landing, guide-vehicle, follow-me, parking, security (Government Resolution No. 866, 21 06 1995)	Ministry of Transport	Controlled because of a monopoly position of the airports.
6210	Transportation of passengers by air transport	Ministry of Transport	Regulated on basis of international agreements.
6322	Activities of navigation, ship rulling and anchorage, raising of sank ships (dues of the State Klaipėda Sea Port for: tonnage, canal, light house, pilotage, regulation of ship traffic, anchorage, sanitary, people rescuing and anti-pollution activities, mooring, quay, passenger toll (Government Resolution No. 410, 10 06 1993)	Ministry of Transport	Controlled because of a monopoly position in the market.



Code according		Items subject to price control	Institution applying control	Reasons and perspectives for control
HS	NACE			
1	2	3	4	5
	6411	Postal services of the National post office (collection, transportation and delivery of letters, postcards, printed matter, sekograms, aerograms, small packages; receiving and payment of money orders; supply of postal cash (giro) banking operations; delivery (payment) of pensions and allowances)	Ministry of Communications and Information Technology	Subsidised services of social importance.
	6420	Communication services (transmission by using international, inter town, local telephone lines.; switchboard services of telephone and telex, data transmission, line radio broadcasting)	Ministry of Communications and Information Technology	Services of social importance, controlled because of a monopoly position of the State enterprise "Lithuanian Telecom".
	70	House rent prices of local governments' apartments	Local governments	Controlled in order to protect consumers from unreasonably high prices.
	9000	Transportation of garbage and liquid sewage, care of courtyard territory	Local governments	Controlled in order to protect consumers from unreasonably high prices
	6340, 10	Maximum tariffs for services provided by customs intermediators	State Competition and Consumer Protection Office	In order to abolish tariffs control the draft Government Resolution is under preparation now.
	7492	Tariffs for apartment security services (Vilnius, Klaipėda)	Security Police Divisions under Chief Police Commissariats	Services of specific character, absence of sufficient competition.
	7422	Tariffs for services of legalisation of potential dangerous equipment, produced in Lithuania or imported, and tariffs for other similar services	Technical Supervision Service under the Ministry of Social Security and Labour	Services of specific character, absence of sufficient competition.
	-	Tariffs for services on issuing of a number of publisher of local credit card, a code of drafter of technical documents and of an assortment number of canned food	Lithuanian Standards Board under the Ministry of Public Administration and Local Authorities	Services of specific character, absence of sufficient competition.
	7422	Tariffs for issuing of quality certificates	State Quality Inspection under the State Competition and Consumer Protection Office	Services of specific character, absence of sufficient competition.

Code according		Items subject to price control	Institution applying control	Reasons and perspectives for control
HS	NACE			
1	2	3	4	5
	851	Tariffs of health care services for persons, supported by government or local government and provided by government or local government health care institutions	Ministry of Health Care	Controlled in order to protect consumers from unreasonably high prices
	851	Tariffs for paid (private) health care services, provided by government or local government health care institutions	Ministry of Health Care	Controlled in order to protect consumers from unreasonably high prices
30.03; 30.04		Maximum trade markups for medicines	Ministry of Health Care	Controlled in order to protect consumers from unreasonably high prices.
	523	Retail prices for medicines and medical materials of necessary assortment (about 350 items)	Ministry of Health Care	Controlled in order to protect consumers from unreasonably high prices.
	851	Prices for services provided by profit seeking institutions. These prices can not exceed 60% of prices set for services of the state institutions	Ministry of Health Care	Controlled in order to protect consumers from unreasonably high prices.
		Basic prices of compensated medicine and medicine materials	Ministry of Health Care	Controlled in order to protect consumers from unreasonably high prices.
-	-	Minimum prices for standing (non-cut) timber according to the kinds of wood, finished wood and woodshed timber	Ministry of Agriculture and Forestry	Minimum prices are set in order to avoid abuse of unreasonably low prices set by the State forestries.
44.03 44.06 44.03 44.03 44.03 44.03 44.03 44.01		Minimum prices for round timber, set according to kinds of assortment: -- cut logs, including timber; -- logs for railway sleepers; -- matchwood; -- paperwood; -- logs for package production; -- thin-logs; -- wood for slabs; -- fire-wood according to the groups of changeability	Ministry of Agriculture and Forestry	Minimum prices are set in order to avoid abuse of unreasonably low prices set by the State forestries.
44.03		Fixed prices for veneer raw material	Ministry of Agriculture and Forestry	Exclusive position in the market, absence of sufficient competition.

Table 3.1: Licensing of Business Activities in Lithuania: Goods-Related Activities

	Business Activity	Licence Required
1.	pharmaceutical activity;	Licence required for domestic and foreign interests. Licences for activities (2), and (9) are available only for domestic interests.
2.	cultivation and sale of crops containing narcotic, highly effective or poisonous substances;	
3.	production of alcohol products;	
4.	import of alcohol products to Lithuania, wholesale and retail trade by alcohol products;	
5.	production of tobacco products, import of tobacco products to Lithuania;	
6.	purchasing and remelting of copper and other non-ferrous metals, its alloys, scrap and waste in Lithuania;	
7.	purchasing of ferrous metals scrap and its waste in Lithuania;	
8.	purchasing and processing of precious metals waste and scrap;	
9.	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;	
10.	import of special foodstuff and food additives, wholesale trade by its in Lithuania;	
11.	production of seals, stamps, hunting knives;	
12.	trade by the transport means on the commission bases; projecting, production, instillment, assembling and exploitation of the protective fire-signalling;	
13.	production, import, transportation, trade, usage, storage and burying of the chemical materials which can harmfully act the environment;	
14.	commercial activity related with the precious metals and jewels;	
15.	import, export, wholesale and retail trade by the oil products; retail trade by the liquefied gas;	
16.	selling of sports and hunting firearms, ammunition, weapons, explosives and pyrotechnics;	
17.	export of raw wood;	
18.	import and production of biological plants protection measures and trade by its;	
19.	trade in antiquarian pieces;	
1.	manufacturing of weapons, ammunition and explosives;	Activities reserved for State and special enterprises
2.	production of securities, monetary signs and coins, post-stamps;	
3.	transportation, usage or other activity related with radioactive, nuclear material and waste thereof.	
1.	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);	Activities reserved for State enterprises, local enterprises and special enterprises
2.	production, import and realization of the highly effective substances which are not of medicinal destination.	

Table 3.2: Licensing of Business Activities in Lithuania: Services

	Business Activity	Licence Required
1.	prospecting of natural resources;	Licence required for domestic and foreign activity. Licences for activity (12) are available only for domestic interests.
2.	the exploitation of natural resources;	
3.	repair of sports and hunting firearms, weapons;	
4.	pharmaceutical activity;	
5.	providing of medical services, medical treatment and hygiene practices;	
6.	veterinary practice;	
7.	lawyer practice, unless the laws provide otherwise;	
8.	establishment of educational institutions, enterprises and institutions engaged in the healthiness activity;	
9.	carrying out of geodetic and topographical works, publishing and printing of topographical plans and maps as well as cartographic charts;	
10.	activity by the international transportation, unless the laws provide otherwise;	
11.	tourism services;	
12.	organizing of lotteries assigned for charity and support purposes;	
13.	providing of communication services using of common network of telecommunications lines and stations;	
14.	construction and exploitation of the installations radiating electromagnetic waves;	
15.	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;	
16.	projecting and construction of the State roads;	
17.	establishment of the shooting-galleries and stands of hunting shooting;	
18.	mediation activity in the public turnover of stock exchange;	
19.	stock exchange activity;	
20.	investment and reinvestment to securities and trade by its as a main activity; possession of the investments companies property, unless the laws provide otherwise;	
21.	energetic activity;	
22.	inventory of the forests and preparation of the forestry projects;	
23.	the forwarding agent services providing in the air and railway transport;	
24.	ships tugging;	
25.	rescuing and underwater technical works;	
26.	lockman services;	
27.	fulfilment of audit;	
28.	mediation services for a giving a job;	
29.	real estate activity;	
30.	provision of insurance services.	

	Business Activity	Licence Required
1. 2. 3. 4.	treatment of patients ill with infectious diseases listed in the treatment of animals ill with especially dangerous diseases; post work (only the State enterprise "Lietuvos pastas"); accepting and paying off of postal orders (only the State enterprises "Lietuvos pastas");	Activities reserved for State enterprises, local enterprises and special enterprises
1. 2.	to exploit railway, ports, airports and State roads; to exploit gas-pipes, pipelines, communication lines, electric transmission lines, heat network of State importance and to ensure technical functioning of such objects.	Activities with minimum 50 per cent State ownership

Table 4: Rates of Stamp Tax Established in Accordance with  
Government Resolutions No. 1123 of 11 November 1994 and No. 640 of 23 June 1997

1.	For issuing an activity licences for importation and wholesale of imported alcohol (for the term of one year):	
(a)	Vodka and other alcoholic beverages	Lit. 470,000 (US\$117,500) <del>350,000 (US\$90,000)</del>
(b)	Alcoholic beverages except vodka	Lit. 380,000 (US\$95,000) <del>300,000 (US\$75,000)</del>
(c)	Wine (not exceeding 22% of volume concentration of ethyl alcohol) and beer	Lit. 150,000 (US\$37,000)
(d)	Beer	Lit. 30,000 (US\$7,500)
2.	For issuing a licence to engage in wholesale of alcohol produced in Lithuania (for the term of one year):	
(a)	Alcoholic beverages exceeding 22% of volume concentration of ethyl alcohol (licence includes also beer and wine)	Lit. 15,000 (US\$3,750)
(b)	Alcoholic beverages not exceeding 22% of volume concentration of ethyl alcohol	Lit. 5,000 (US\$1,250)
(c)	Beer	Lit. 3,000 (US\$750)
3.	For issuing an activity licence for importation and wholesale of tobacco (for the term of one year)	Lit. 6,000 (US\$1,500)
4.	For issuing an activity licence for importation and wholesale of tobacco products (for the term of one year)	Lit. 15,000 (US\$3,750)
5.	For issuing an activity licence for importation and for wholesale of imported oil products: petrol, liquid fuel, kerosene, aircraft fuel, diesel fuel and lubricants (for the term of one year)	Lit. 500,000 (US\$125,000)
6.	For issuing a licence to engage in wholesale of oil products (for the term of one year)	Lit. 100,000 (US\$25,000)
7.	For issuing a licence to engage in retail trade of oil products in each petrol station	Lit. 3,000 (US\$750) for each qualify of petrol, diesel fuel and liquid fuel
8.	For issuing a licence to engage in retail trade of lubricants	Lit. 1,000 (US\$250)

Table 5: General Tariff Quotas Applied by Lithuania in Accordance with Government Resolution No. 896 of 7 August 1997

Code of group of goods*	Description of group of goods	Institution Issuing Quotas <del>Ministry Issuing Quotas</del>
0101 11,0102 10, 0103 10, 0104 10 10, 0104 20 10	Pure-bred breeding animals	Ministry of Agriculture and Forestry
0105 11, 0105 12 10, 0105 19 20, 0105 19 90	Pure-bred breeding poultry	Ministry of Agriculture and Forestry
0106 00 10, 0106 00 90	Other live pure-bred breeding animals	Ministry of Agriculture and Forestry
0201, 0202, 0203	Meat of bovine animals, pork	Ministry of Agriculture and Forestry**
0405	Butter	Ministry of Agriculture and Forestry**
0407 00 11, 0407 00 19	Pure-bred breeding birds' eggs for hatching	Ministry of Agriculture and Forestry
0511 99 50, 0511 99 80	Semen of stallions, boars, ram, he-goats, embryo of bovine animals	Ministry of Agriculture and Forestry
0701	Potatoes	Ministry of Agriculture and Forestry**
1001-1004	Cereals	Ministry of Agriculture and Forestry**
1101	Wheat flour	Ministry of Agriculture and Forestry**
1104	Cereal grains otherwise worked	Ministry of Agriculture and Forestry**
1214 90 91, 1214 90 99	Compound feed	Ministry of Agriculture and Forestry**
1107 10	Malt, not roasted	Ministry of Agriculture and Forestry**
1502	Fats of bovine animals, sheep or goats	Ministry of Agriculture and Forestry**
1701 11 10- 1701 12 90	Raw sugar, for refining	Ministry of Agriculture and Forestry**, Ministry of National Economy
1701 91,1702 30, 1702 40,1702 90	Sugar for special purpose	Ministry of Agriculture and Forestry, Ministry Health Care
1701 99	Sugar	Ministry of Agriculture and Forestry**, Ministry of National Economy
2207 10	Technical ethyl alcohol (spirits for technical uses)	State Tobacco and Alcohol Control Agency <del>Ministry of National Economy</del>

Code of group of goods*	Description of group of goods	Institution Issuing Quotas <del>Ministry Issuing Quotas</del>
2207 20	Denatured ethyl alcohol	State Tobacco and Alcohol Control Agency <del>Ministry of Agriculture and Forestry,</del> <del>Ministry of National Economy</del>
5301	Flax tow	Ministry of National Economy, Ministry of Agriculture and Forestry
ex 7010 91 10, ex 7010 92 10	Preserving jars of glass of 0.35 and 3 litre	Ministry of Agriculture and Forestry, Ministry of Construction and Urbanistic
7010 91 21, 7010 92 21, 7010 93 21, 7010 94 20, 7010 94 60	Irregular transparent glass bottles	Ministry of Agriculture and Forestry
9401, 9403	Special furniture for ships	Ministry of Transport***

- \* Commodities' codes are given according to the EEC Harmonized Commodity Description and Coding System.
- \*\* Tariff quotas are approved by the Government upon recommendation of the Ministry of Agriculture and Forestry. The quotas are granted by the way of tender.
- \*\*\* The quota shall be issued for the furniture (not more than Lt. 1.1 million) designed for the ship to be built by the State Shipyard Company "Baltija" (code in the enterprises register - 4034645) in 1997.]



Table 6: Fees and Charges for Services Rendered Relating to Importation or Exportation

1.	Formalities in connection with placement of one consignment of goods under one of the following customs procedures:	
(a)	Exportation (including re-exportation)	Llt. 22 (Llt. 1 - US\$0.25)
(b)	Importation (including re-importation and customs warehousing)	Llt. 33
(c)	Temporary admission and temporary exportation	Llt. 55
(d)	Inward processing and outward processing	Llt. 110
(e)	<del>Transit in the day time during working days (from 08.00hrs to 20.00hrs)</del>	<del>Llt. 6</del>
(f)	<del>Transit during rest days and public holidays and also in the night time during working days (from 20.00hrs to 08.00hrs)</del>	<del>Llt. 11</del>
2.	Issuance of one certificate of origin	Llt. 28
3.	Issuance of stickers used for marking of imported alcoholic beverages and tobacco goods (under one request)	Llt. 22
4.	Issuance of authorization for inward processing	Llt. 221
5.	Issuance of authorization for outward processing	Llt. 221
6.	Issuance of permit to carry out formalities in connection with customs procedures at other customs office:	
(a)	Single	Llt. 10
(b)	For period not exceeding 3 months	Llt. 20
(c)	For the period not exceeding 6 months	Llt. 60
(d)	For the period exceeding 6 months	Llt. 80

[Table 7: Excise Taxes Levied in Lithuania According to  
Government Resolution No. 328 (9 April 1997)]

Commodity code	Commodity description	Taxes (by percentage of taxable value or absolute Lt for indicated measurement unit*)
2207.10.00.0; 2208 (except 2208.90.69.1; 2208.90.69.3)**	Undenatured ethyl alcohol and alcoholic beverages, except for meads, champagne, wine, beer and some medicines with herbs containing ethyl alcohol	Lt. 0.43 per 1% of an alcoholic strength by volume per one litre
2208.90.69.1	Meads	Lt. 0.12 per 1% of an alcoholic strength by volume per one litre
2204.21.11.0- 2204.21.80.0, 2204.29.21.0- 2204.29.75.0, 2204.30, 2206, 2205.10.10.0, 2205.90.10.0	Wine of an alcoholic strength by volume of 13% vol, and other fermented beverages (excluding beverages (code 2206.00.89.0) produced by the company "Lietuviskas midus")	Lt. 0.12 per 1% of an alcoholic strength by volume per one litre
2204.21.81.0- 2204.21.94.0, 2204.29.81.0- 2204.29.94.0, 2205.10.10.0, 2205.90.10.0	Wine and vermouth of an alcoholic strength by volume of more than 13% vol, but not exceeding 18% vol	Lt. 0.17 per 1% of an alcoholic strength by volume per one litre
2204.21.95.0- 2204.21.99.0, 2204.29.95.0- 2204.29.99.0, 2205.10.90.0, 2205.90.90.0	Wine and vermouth of an alcoholic strength by volume exceeding 18% vol	Lt. 0.28 per 1% of an alcoholic strength by volume per one litre
2204.10, 2204.21.10.0, 2204.29.10.0	Champagne and wine of increased pressure	Lt. 0.35 per 1% of an alcoholic strength by volume per one litre
2203	Beer	Lt. 0.40/litre***
2402.20.10.0- 2402.20.90.0	Cigarettes with and without filters	Lt. 12 for 1000 units****
2402.10.00.0, 2402.90.00.0, 2403****	Packed smoking tobacco and other tobacco products	50
2710.00.27.0- 2710.00.37.0	Motor fuel/petrol	Lt. 100, but not less than 1lt 800 per ton*****
2710.00.51.0, 2710.00.55.0, 2710.00.66- 2710.00.68	Jet fuel, kerosene, gas oils (diesel fuel), liquid furnace fuel	Lt. 40, but not less than 1lt 300 per ton*****
2710.00.87.0- 2710.00.97.0, 2710.00.98.9	All types of lubricating oils except for fuel oil M-100 classified in the following subheading 2710.00.98.0	Lt. 8, but not less than Lt. 180 per ton

Commodity code	Commodity description	Taxes (by percentage of taxable value or absolute Lt for indicated measurement unit*)
1806.20.10.0- 1806.20.80.0, 1806.31- 1806.90	Chocolate and other food products containing cocoa, except cocoa powder and products containing less than 18% by weight of cocoa butter	10
0901	Coffee	10
7113, 7114, 7116	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metals, articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metals or metal clad with precious metals, articles of natural or cultured pearls, precious or semi-precious stones-natural, synthetic or reconstructed	10
8703.21.10.1, 8703.21.90.2, 8703.22.19.1, 8703.22.90.2, 8703.23.19.1, 8703.23.90.2, 8703.24.10.1, 8703.24.90.2, 8703.31.10.1, 8703.31.90.2, 8703.32.19.1, 8703.32.90.2, 8703.33.19.1, 8703.33.90.2	Luxury motor cars, not older than 5 years (except for special cars) specified in the list of State Agency of Competition and Consumer Rights Protection under the Government of Lithuania	15 from price exceeding Lt. 60,000
2716.00.00.0	Electricity	1
4901.10.00.1, 4901.99.00.1, 4902.10.00.1, 4902.90.10.1, 4902.90.30.1, 4902.90.90.1, 4908.10.00.1, 4908.90.00.1, 4909.00.10.1, 4909.00.90.1, 4910.00.00.1, 4911.10.10.1, 4911.10.90.1, 4911.91.10.1, 4911.91.80.1, 4911.99.00.1, 9504.40.00.1	Erotic and violence propagating publications	50

\* The taxable value shall be:

- sale price free from excise tax and VAT of commodities produced in Lithuania;
- customs value, including duties, of imported commodities.

\*\* Commodity codes are presented according to the HS (1997) codes.

- \*\*\* Excise tax - Llt. 0.2 per litre - shall be levied on beer produced and sold by each Lithuanian beer manufacturing company producing 100 thousand decalitres per year (this provision shall be applied until Lithuanian Membership of the World Trade Organization).
- \*\*\*\* Excise tax - Llt. 15 for 1000 units - shall be levied on cigarettes of highest quality produced in Lithuania and imported (until 30 September 1997). Excise tax shall not be levied on tobacco (Code 2403.10.90.1) imported by the joint-stock company "Philip Morris Lietuva" and by the company "House of Prince Lietuva". In the case when imported tobacco in these companies is used not for production of cigarettes, but for other purposes, the excise tax shall be levied.
- \*\*\*\*\* Absolute excise tariffs only (in Llt. per ton shall be applied on oil products produced in the joint-stock company "Mazeikiu nafta". From 1 August 1995 excise shall be not applied on jet fuel (Code 2710.00.51.0) imported by joint-stock companies "Lietuvos avialinijos" and "Lietuva" and purchased from the joint-stock company "Mazeikiu nafta".]

[Table 8: Rates of Export Duties Approved by Government Resolution  
No. 896 of 7 August 1997-268 of 24 March 1997

Code of group of goods*	Description of group of goods	Tariff rate (%)**
0505 10	Feathers for stuffing; down	<del>30</del> 60
0510 00 00 2, 0510 00 10 3	Glands and other organs used in pharmaceutical products***	<del>30</del> 60
3001 10 90- 3001 90 91	Glands and organs used in organo-therapeutical uses***	<del>30</del> 60
4101, 4103	Raw hides and skin	<del>30</del> 60
4403 20 90 6	Pine wood in logs, with a circumference not less than 20 cm at the thin end	60
4403 20 90 7	Spruce wood in logs	60
4403 91	Unprocessed oak timber	60
4403 99 99 1	Unprocessed ash timber	60
4403 99 99 2	Birch wood in logs, with a circumference not less than 20 cm at the thin end	60

\* Codes of groups (goods) are presented according to the EEC Harmonized Commodity Description and Coding System.

\*\* Goods without codes herein are subject to a zero rate customs duties.

\*\*\* Under quotas granted by the Ministry of Health Care the export of such products is duty free.]