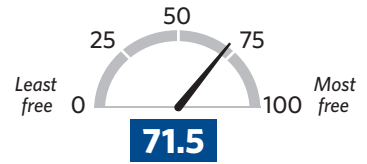


LITHUANIA

Economic Freedom Score



World Rank: **23**

Regional Rank: **11**

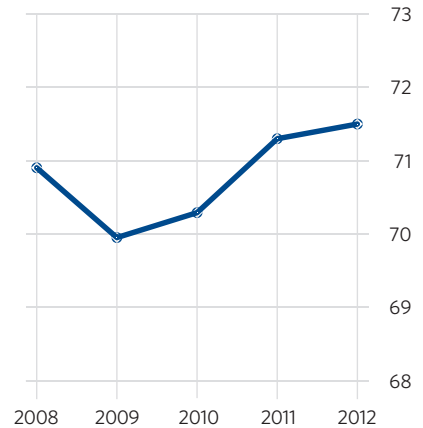
Lithuania's economic freedom score is 71.5, making its economy the 23rd freest in the 2012 *Index*. Its overall score is 0.2 point higher than last year, with significant improvements in labor freedom, fiscal freedom, and monetary freedom offset to a large extent by a serious decline in the score for government spending. Lithuania is ranked 11th out of 43 countries in the Europe region, and its overall score is well above the world and regional averages.

Lithuania's ongoing transition to a free-market economy has been facilitated by structural reforms and an increasingly vibrant private sector. Along with policies that open the country to global commerce and trade, competitive taxation and a well-designed regulatory system have contributed to a more dynamic and broadly based economic expansion. Lithuania has been recovering gradually from a sharp economic contraction.

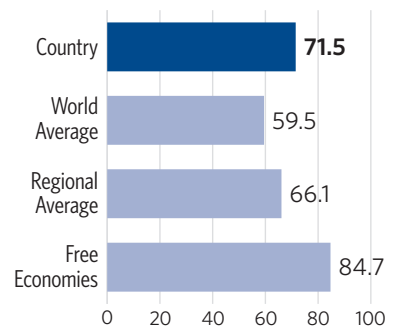
Although the regulatory environment is generally consistent with a market economy, bureaucracy curtails entrepreneurial dynamism. The government has pursued reform measures to curb chronically high levels of government spending and improve the efficiency of the public sector, but overall progress has been sluggish. Despite the relatively well-maintained rule of law, the pace of legislative and judicial reform has been slow, and corruption is still perceived as significant.

BACKGROUND: Lithuania, the largest of the Baltic States, regained its independence from the Soviet Union in 1991. It joined the European Union and NATO in 2004. Former Vice-Minister of Foreign Affairs and Finance Minister Dalia Grybauskaitė, who is also a European Union budget commissioner, won presidential elections by a landslide in July 2009. Prime Minister Andrius Kubilius of the TS-LKD party won re-election as party chairman in May 2011, despite the party's poor performance in the previous local elections. Lithuania's economy has resumed growth, with the construction, financial services, and retail sectors performing particularly well, but unemployment remains a serious problem.

Freedom Trend



Country Comparisons



Quick Facts

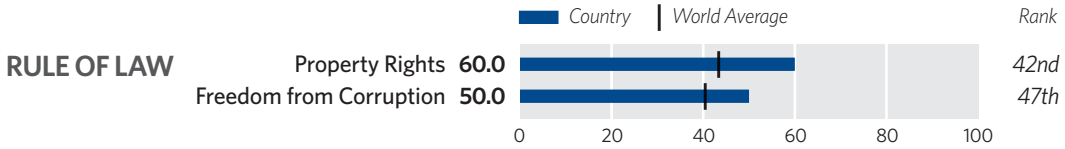
Population: 3.3 million
GDP (PPP): \$56.6 billion
 1.3% growth in 2010
 5-year compound annual growth 1.0%
 \$17,185 per capita
Unemployment: 17.9%
Inflation (CPI): 1.2%
FDI Inflow: \$629.5 million
Public Debt: 38.7% of GDP

How Do We Measure Economic Freedom?

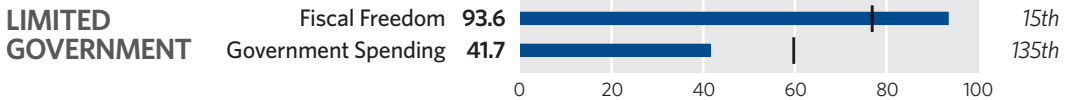
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

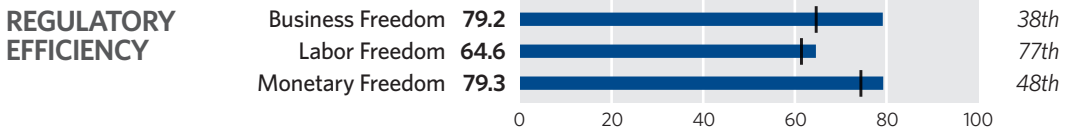
THE TEN ECONOMIC FREEDOMS



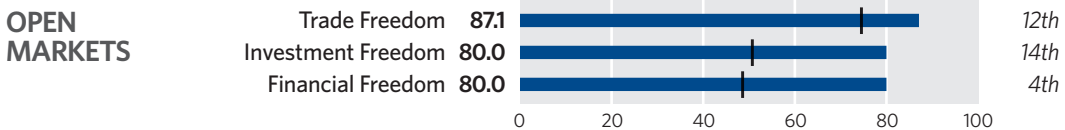
Private property is protected against nationalization or requisition. Accession to the EU has encouraged judicial reform, including strengthened independence and streamlined proceedings to clear the backlog of criminal cases, but the relatively inefficient legal framework does not provide for effective enforcement of contracts. Corruption persists at a level unusually high for a member of the EU.



The income tax rate is 15 percent (with a 20 percent tax on redistributed profits), and the corporate tax rate is 15 percent. Other taxes include an inheritance tax and a value-added tax (VAT). The overall tax burden amounts to 16.6 percent of total domestic income. Government spending is equivalent to 44.1 percent of total domestic output. The budget is chronically in deficit, and public debt has risen to a level equivalent to 38 percent of GDP.



The overall entrepreneurial framework has become fairly streamlined and efficient. Business formation and operation take place without bureaucratic interference. The minimum capital requirement is relatively low, and launching a business takes slightly less than the world averages of seven procedures and 30 days. Despite some reform, the labor market remains relatively rigid. Inflation has moderated, and the monetary system is stable.



Lithuania's trade policy is the same as that of other members of the European Union, with a low common external tariff but layers of non-tariff barriers. Foreign investment is welcome, and the investment regime has become conducive to dynamic growth in new investment. Lithuania's competitive financial sector offers a full range of financial services. Capital markets are small but function well.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+7.5	Business Freedom	-2.5	Trade Freedom	-0.5
Freedom from Corruption	+1.0	Government Spending	-16.3	Labor Freedom	+9.0	Investment Freedom	0
				Monetary Freedom	+4.8	Financial Freedom	0