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TRADE POLICY IN LITHUANIA: PAST EXPERIENCE AND BENCHMARKS FOR THE FUTURE

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Abstract. National foreign trade is the economic sphere that determines the development of the international trade. Participation in global world markets is especially important for Lithuania as it is a free-market economy with the characteristics of a developing post-Soviet market. The vulnerability of the Lithuanian economy and the general level of globalization worldwide made integration into the European Union a necessity. This was one of the most significant events for the Lithuanian economy that gave start to a great number of changes in foreign trade. The world economic and financial crisis of the past few years has contributed to and made the problems under investigation more evident. Based on this background, the article analyses a topic relevant to the overall current development of Lithuania's economy—the specifics of Lithuania's foreign trade development—by determining its underlying problems.

The aim of the article is to analyse the trends and problematic areas in Lithuania's foreign trade development. Export and import flows have been chosen as objects for the analysis. The methodology for the investigation comprises statistical data, chronological comparative analysis and use of the theory of constraints.

The paper discusses the European Union's foreign trade policy and the course of Lithuania's integration into its trade system. Lithuania's foreign trade development throughout the period of 1995–2008 has been analyzed by using statistical database analysis. By using the method of the theory of constraints, a comprehensive foreign trade investigation has been carried out, in which the underlying problems in this economic area that hinder the functioning of foreign trade have been identified. Also, proposals on how to improve the effectiveness of the functioning of foreign trade have been provided.

During the period of occupation, the independent functioning of Lithuania's foreign trade was restricted. Only after Lithuania regained its independence in 1991 did the volume of international trade begin to grow. Since the country became a member of the integral European Union, it expanded its foreign trade markets and substantially improved its conditions for international trade.

The statistical database analysis that has been carried out enabled us to conclude that during the periods of 1995–2003 and from the admittance to the European Union until 2009, exports and imports increased more than fourfold. The foreign trade balance deficit doubled in the periods under the investigation. The following major problems in Lithuania's foreign trade have been identified: a large trade balance deficit, the dependence of the dominant share of exports on imported raw materials, and the export of goods that are small value-added.

By using the method of the theory of constraints, the fundamental obstacles that conditioned the problems in Lithuania's foreign trade have been identified: a cheap labour force in the country—an insufficient advantage in the long run, export and production structure typical of developing countries, lack of data on foreign countries' trade regulations, and Lithuania's low image. Apart from these problematic areas, the recent global economic and financial crisis has also contributed.

To reduce problematic areas in Lithuania's foreign trade, the trade balance deficit ought to be decreased by means of export stimulation. This calls for changes in trade conditions: the expansion of export zones, an improvement of the country's image, the reduction of trade risk by fostering cooperation, the establishment of an effective business insurance system, and the improvement of financing conditions. To improve the structure of exports, it is necessary to switch from the

energy and labour intensive sectors to those that create higher value-added goods by utilizing the intellectual potential of the country and by investing in scientific research. To improve export infrastructure its dependence on the import of raw materials ought to be decreased by exploiting local renewable energy sources. Stimulating the consumption of Lithuanian goods and services is also of great importance.

JEL classification: R580.
KEY WORDS: international trade, foreign trade, export, import, trade balance.
Reikšminiai žodžiai: tarptautinė prekyba, užsienio prekyba, ekspotas, importas, prekybos balansas.

1. Introduction

Today, during a period of global economic integration and globalization, international trade exchange is evolving and growing rapidly. Lithuania is an integral and inseparable part of this process. To persist in the international environment and gain recognition from the other states, Lithuania needs continuous and proactive cooperation with foreign partners to foster a strong connection and mutual understanding.

Recently, there has been an increase in the potential markets and also of market participants competing for the benefits of free exchange in these markets. This competition encourages trade participants to use innovations, raise working efficiency and increase business productivity. Therefore, competitiveness is an essential tool for the successful development of foreign trade in the global market and an incentive for states to improve their international exchange policy.

Soviet-era Lithuania had limited opportunities to participate actively in the world trade area and it had to be content with trading in the failed Soviet Union republics' markets. Since regaining its independence, Lithuania has opened new trade routes to the West. The focal changes were observed a good decade after the recovery of freedom, when the country joined the European Union (EU). However, despite a broadening of Lithuanian integration into the global market, the country is still burdened by the Soviet occupation's concept of work and capital intensive production processes and techniques. This has caused negative effects on foreign trade for Lithuania, in particular, during the Russian crisis and the recent global financial crisis.

Despite the fragility of the Lithuanian economy, the country's long-lasting integration into the EU market was by far the most important and significant event in the last few decades, which caused great changes in foreign trade. This has provided additional opportunities not only to strengthen cooperation with former partners, but also to acquire new ones. As a result, wider Lithuanian goods and service outlets opened up and the activity of importers increased, strengthening competition. These significant changes had an impact on Lithuanian international trade trends. The examination of these trends is important for understanding the main changes in foreign trade, identifying the main problems in this area and finding appropriate solutions.

Maintaining existing trade partners and finding new markets in a global environment requires much hard work, effort and energy. This should be the result of a successful country's Government and businesses working with foreign partners.

The aim of the paper is to explore the trends and topics of Lithuanian foreign trade development; to apply the restrictions theory, to identify the main causes affecting the efficiency of the foreign trade activities and to submit conclusions and proposals to improve international business activities.

The subject of the research is exports and imports of Lithuanian foreign trade.

Research methods:
1. Comparative analysis of statistical data;
2. Constraints theory method.

2. Balance of Foreign Trade

To assess the trends and topics of Lithuanian foreign trade, the dynamics of exports, imports and balance in 1995–2008 is provided in Table 1.

Table 1. The volumes of the exports, imports and balance, and annual changes in 1995–2008, in mill. LTL.

Year	Exports	Imports	Balance	Annual change of an exports, %	Annual change of an imports, %	Annual change of the balance, %
1995	10820.1	14593.9	-3773.8	-	-	-
1996	13419.6	18235.3	-4815.7	24.02	24.95	27.61
1997	15440.7	22576.9	-7136.2	15.06	23.81	48.19
1998	14842.4	23174.3	-8331.9	-3.87	2.65	16.76
1999	12015.2	19337.9	-7322.7	-19.05	-16.55	-12.11
2000	15237.5	21826	-6588.5	26.82	12.87	-10.03
2001	18332	25413.2	-7081.2	20.31	16.44	7.48
2002	20290.7	28562.2	-8271.5	10.68	12.39	16.81
2003	22145.1	30268.7	-8123.6	9.14	5.97	-1.79
2004	25819.2	34383.6	-8564.4	16.59	13.59	5.43
2005	32767.3	43151.9	-10384.6	26.91	25.50	21.25
2006	38888.3	53274.6	-14386.3	18.68	23.46	38.53
2007	43192.4	61503.5	-18311.1	11.07	15.45	27.28
2008	55511	73006.3	-17495.3	28.52	18.70	-4.46

Note: a sign of the annual change of the balance point out the shrinkage of the balance deficit.
Source: Dep. of Statistics, 2009.

One can see that both export and import volumes were rapidly growing right from the start. The slowdown in these flows is noticed in 1999, when Lithuania experienced the impact of the economic crisis in Russia. As the rouble fell, Lithuanian goods became uncompetitive in the Commonwealth of Independent States (CIS) countries. Later on, Lithuanian export and import flows were again restored and tended to grow until the end of the period. Overall, during 1995–2003 and from the membership in the EU until 2008, exports grew more than twice. The largest increases recorded were in 2005 and 2008, when exports increased by about 27% and 29% compared to the previous year.

Lithuanian import trends show that the volume of imports was much higher than exports, but was slower in certain stages of growth. The most rapid growth in import volumes was in 2005, when the change was a quarter higher than the previous year. In later years these volumes grew less and less, but managed to resist the growth rate of exports. Overall, during 1995–2003 these flows increased by half, and during 2004–2008 imports increased as exports more than doubled. Thus, the Lithuanian market became open to EU countries, especially during 2005, when imports and exports grew the fastest.

Studying the foreign trade balance changes, it is clear that it was negative over the period—namely, imports exceeded exports. Imports were growing less than exports in some years, but it didn't help to achieve an active trade balance. In contrast, as Lithuania joined the EU, a passive balance of trade was increasing annually. Its biggest drop was in 2006, when it decreased by about 39%. During 1995–2003 and from the beginning of membership in the EU, the balance deficit doubled. Thus, integration into the EU did not reduce the foreign trade balance deficit, which is still increasing. Consequently, the Lithuanian market has become more accessible to foreign investors, while exports have lagged behind considerably.

3. Development of Exports

An examination of 2004–2008 on the Lithuanian export structure with the combined nomenclature (HS) classification (Figure 1) clearly shows that most of the exports were mineral products, food products, machinery, equipment and vehicles.

During 2004–2006, the export of mineral products tended to grow and during the three years changed by a factor of 1.5. However, in 2007 this figure dropped to 60% of the previous value, and the subsequent year's mineral products exports recovered and grew more than double. Thus, it is noted that throughout the period these exports were not constant and that, overall, the figures doubled.

Food industry exports tended to grow from 2004–2008 by a factor of three. From this, it can be inferred that the competitive ability of Lithuanian goods has been growing. The same modest annual growth was recorded in machinery and equipment exports, which doubled over a period of five years. The same is true of other export sectors (chemicals, metals, plastics, wood), with an annual increase in external supply caused by Lithuania's membership in the EU. The textile industry was the only one which remained fairly constant over the period.

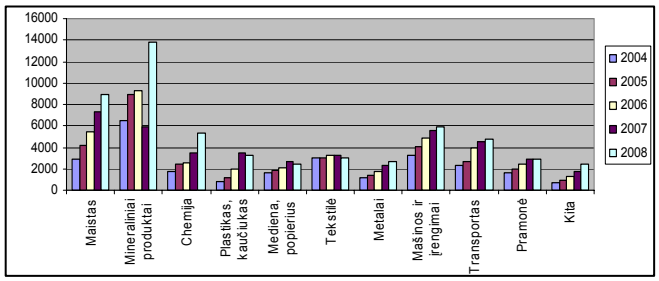


Figure 1. Exports presented according the classification of goods, 2004 - 2008 m. (mill. Lt)
Source: Dep. of Statistics, 2009.

According to the classification of macroeconomic categories (BEC) 2004–2008 data (Table 2) intermediate goods were dominating exports (products used as raw material for the production of other goods), accounting for about half of the country's overall exports. However, from the viewpoint of economic competitiveness it is not a positive phenomenon, as these goods create a low added value. (Jakutis and others, 2007).

Table 2. Structure of exports in 2004–2008, %.

Classification of macro-economic categories (BEC)	2004	2005	2006	2007	2008
Goods of investment	8.1	8.2	9.8	11.7	11.1
Intermediate products	53	53.2	50.6	50	53.1
Consumables	27	25.7	26.5	28.4	23.5
Petrol	8.6	9.6	8.6	5	8.5
Cars	3.2	3.2	4.3	4.8	3.5
Other	0.1	0.1	0.2	0.2	0.2

Source: Dep. of Statistics, 2009.

The consumables (end-use products that are not used for other production) share of total exports accounted for less than one-third and they displayed no clear upward or downward trends. There is quite a significant investment goods export growth trend during the period when the share of Lithuanian exports grew by about 3%. The amount of capital goods compared to the country's size defines the national economic development level. However, the overall composition of Lithuanian exports of these goods is not

high. It is noteworthy that the export of gasoline has been volatile, most of which was in 2005 when it was about 9.6% of exports. Goods involving passenger cars accounted for a relatively stable share, but the period from 2006–2007 observed the most significant growth in the industry.

4. Development of Imports

The largest portion of imported goods into Lithuania was composed of food and mineral products (see Figure 2). Machinery and equipment and transport vehicles were in the mid range as a share of total imports. The lowest share of total imports is comprised of plastics, rubber, wood, textiles and other goods. It may be noted that foreign trade export and import trends upon integration into the EU were similar, the dominant exchange goods being the food and mineral products groups.

Looking at the export and import flows of mineral products it can be observed that the removal of these goods strongly depends on imports. As for exports in 2004–2006, imports of these products tended to grow (about double) and in 2007 temporarily decreased (about 16%), but a year later it doubled again. It should also be noted that the machinery and equipment category represents a significant re-export share, which enters into Lithuania, is processed and exported. Consequently, Lithuanian exports are most dependent on imported raw materials.

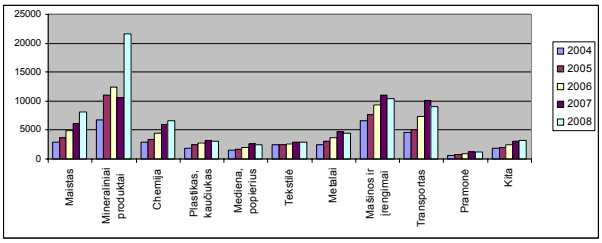


Figure 1. **Imports presented according the classification of goods, 2004 - 2008 m. (mill. Lt).**
Source: Dep. of Statistics, 2009.

Other import sectors—food, chemical, plastic and rubber, wood and paper, metal, vehicle imports—are growing consistently on an annual basis. According to the BEC classification of the import and export structure, the majority consists of intermediate consumption goods, maintaining about 60% through the whole period (Table 3).

Table 3. The structure of imports in 2004–2008, %.

Classification of macro-economic categories (BEC)	2004	2005	2006	2007	2008
Goods of investment	18	16	16.8	18.3	14
Intermediate products	58.4	61	58.3	53.9	60.4
Consumables	17.9	17.2	17.8	19.8	19.6
Petrol	0	0.1	0.3	0.1	0
Cars	5	5.2	6.5	7.7	5.7
Other	0.7	0.4	0.2	0.3	0.3

Source: Dep. of Statistics, 2009.

Imports of investment goods during 2004 accounted for about one fifth of total imports from the country, but during 2005–2006 fell by 2–1.2%, quickly recovering a year later. In 2008 imports of investment goods fell the most of the whole period to 14%. Imports of investment goods are important to overall national economic growth. Consumer products have maintained a fairly clear trend of annual growth and over the period have changed about 2%. There are low observed rates of petrol imports, which accounted for the smallest portion of imports (about 0.1%). It was quite clear that by 2007 growth trends for passenger cars had changed over four years by 3%, but in 2008 the data fell close to the 2004 level.

A statistical overview reveals a deep Lithuanian foreign trade problem—a large trade balance deficit coupled with a large share of exports depending on imported raw materials and low added-value industry sectors.

5. Methodological Survey of Foreign Trade

The research methodology of foreign trade is not uniform; a number of models are applied in the global practice. It is possible to perform a wide range of research in different ways—by groups of countries, by commodity groups, by exploring a country's overall exports and imports, by investigating the foreign trade dependence of two countries, and so on. This article presents an analysis of 2004–2008 Lithuanian foreign trade applying the restriction method through which the main problems facing Lithuania's international trade will be clarified and problem-solving techniques will be provided.

Constraints theory. This theory was created by Israeli physicist Dr. Eliyahu M. Goldratt in the twentieth century while seeking effective methods to solve internal conflicts—issues of complex systems (Jasinavičius and others, 2008). The Theory of Constraints promotes a systematic approach to any viable system of organizations. It teaches that they be seen as living organisms, in which all parts must work together if they desire not only to survive but also to move towards achieving their objectives.

The Theory of Constraints proposes the development of solutions to the problems of trials, errors and sampling methods based on non-contentious and non-strong-willed methods—it proposes to use logical thinking charts, which can purposefully and effectively adjust the thinking processes and find the right solutions, especially in those cases where, in order to find them, it needs to assess more than three factors. This method helps especially if there are many prob-

lems and if the optimum solution must be found quickly and more cost-efficiently than regular short-term measures. The results of the constructive thought processes always show that the resulting problems are not independent of each other—they are strongly connected by causes and effects. As long as the links between the causes and consequences of misunderstanding the situation are unclear, optimal solutions cannot be found quickly. Thus, in order to analyse any system, it is necessary to make a systemically clear, graphical and logical chart of the problems, called the current real tree (CRT). The CRT shows cause and effect relationships, linking the history of the situation to its prevailing problems. When the problem chart is thoroughly completed, it can be seen that there will not be many problems to struggle with—only with the main ones. In real-life situations, this theory always proves that one or two major problems cause all the other ones because other problems are often only adverse symptoms of the main problems. These are the imminent derivatives of the main problems. The theory of constraints refers to these as undesirable consequences. Drawing the RDM, consistently putting each consequence above its reason, the elements of the graphic chart gradually rise from the bottom up. This makes the resulting chart look like a tree or shrub that contains one or two roots with growing branches, knots and leaves. Examination of such charts makes clear that in order to influence the whole system effectively it would be rational to direct the available resources towards the main cause—the root, rather than the symptoms it caused.

With CRT, not only are the problems themselves visible, but also their order, rank, priorities, relevance, etc. The application of CRT is an appropriate method for the development of strategies, plans, identifying and ranking priorities, in order to resolve problems effectively and efficiently. Under the methodology of the restriction theory, thinking processes help to examine, identify, formulate and pass on not only the essence of objective reality, but also to find the best solutions. After drawing the current tree, the future progress tree is made in accordance with it, revealing a problem-solving approach.

6. Current and Progressive Trees for a Foreign Trade and Main Barriers

An examination of the Lithuanian foreign trade statistics database clearly shows that the main problems are a large deficit balance, as well as a large share of exports being dependent on imported raw materials and being low added value. This indicator reached a negative level for the economy for many reasons. A "real current tree" (Fig. 3) represents the causal relationship between problems and their consequences, in which the fundamental obstacles to effective Lithuanian foreign trade are provided.

The main Lithuanian foreign trade problem is a significant trade deficit. This score is determined by the fact that during the whole period of Lithuanian independence, the import flows of the country are significantly higher than export volumes. A severe export backlog when compared with imports was caused by many reasons that can be divided into several branches in the "real current tree":

Dependence on imports of raw materials. The Lithuanian historical experience—a long-term occupation regime in the former Soviet Union—led to the country's dependence on its currently important trade partner, Russia. Russia was the main supplier of raw materials, and has remained so until now. As observed from the statistics of Lithuania's export and import data analysis, mineral products compose the main part of the import and export trade. It is noticed that the majority of Lithuanian exports consists of natural resources-intensive industries, whose main source of resources is Russia. Supplying vital raw materials, this country binds Lithuania with firm, but useless links with regard to competitiveness. The negative effect of this dependence manifests itself through expensive imports of natural resources, increasing the export prices so that Lithuania is not competitive in foreign trade.

An export structure is specific to developing countries. The same historical reasons predetermined one more difficult circumstance for Lithuanian foreign trade—the export structure of developing countries. Such countries differ from the economically powerful and developed countries because the latter develop high added-value export industries and promote high-tech innovation. Lithuania's occupation regime restricted such access; it hindered Lithuania from developing parallel to other advanced countries (Mačys and others, 2004). Therefore, the country's economy is now only growing with the inherent industrial structure which does not include high added-value industries. Lithuania also actively works with the advanced countries' uncompetitive energy-intensive sectors.

Low labour costs and insufficient advantage. In the competitive international trade struggle, Lithuania uses one of its existing comparative advantages—cheap labour. But this advantage allows countries to compete with other foreign countries only in the short term. Using this cheap labour in export industries like textiles will not obtain a lasting and viable dominance in foreign markets because it does not provide for increases in labour productivity. Rapidly increasing global processes, better Lithuanian integration into the EU market and a growing strong reduction of differences between countries mean that labour costs in the country will gradually increase. The prime cost of products will also grow, so Lithuanian goods may become less competitive.

Imperfect Lithuanian image. Lithuanian foreign trade issues involve one more negative consequence originating with the Soviet regime—lack of knowl

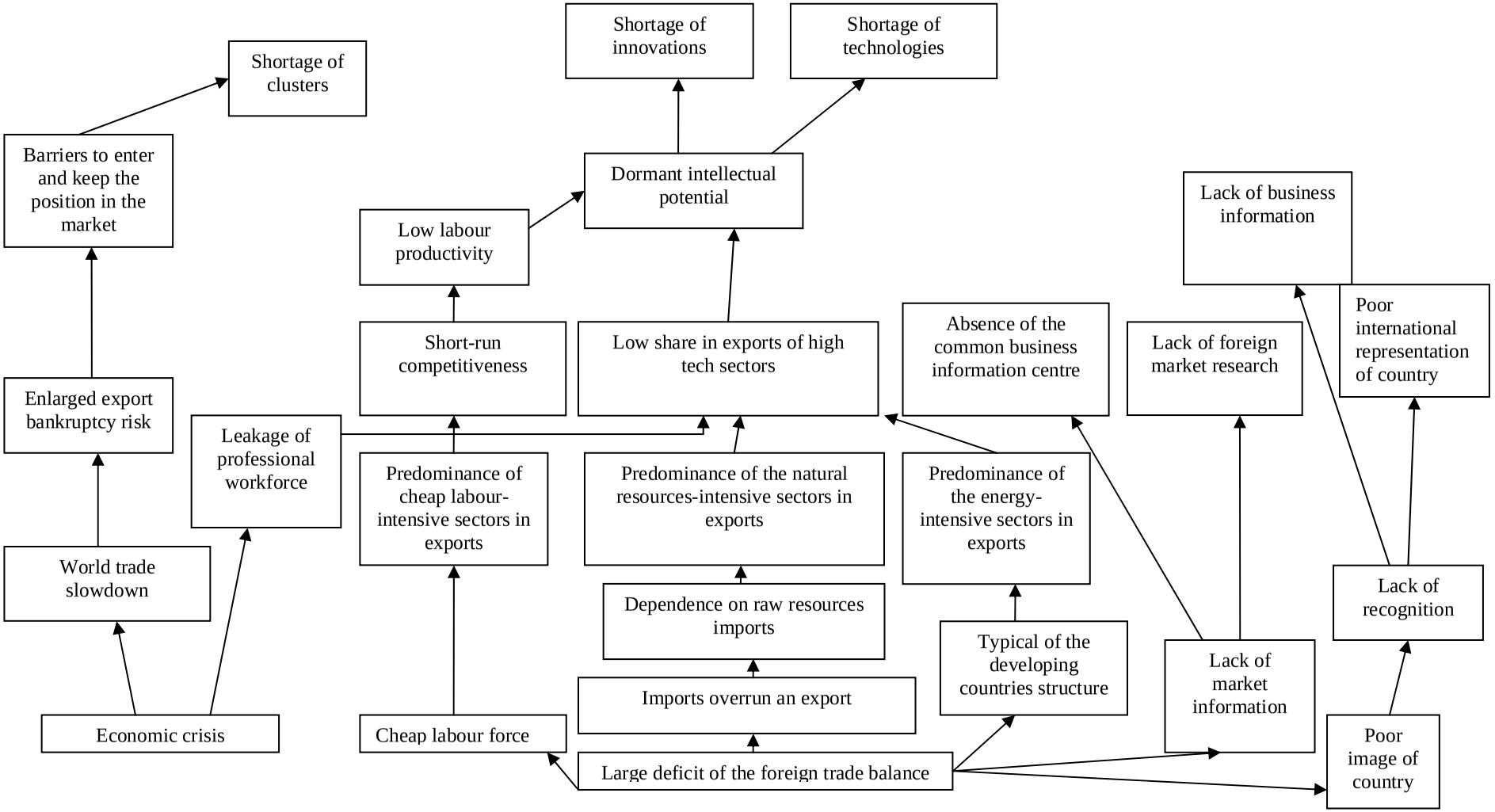


Figure 3. **Current real tree for Lithuanian foreign trade and main barriers.**

edge about this country. The result is that countries of the former Soviet Union receive much criticism. However, the effect from this is not that negative. The poor development of the Lithuanian image on the world market happens because of insufficient dissemination of information about Lithuania in the international sphere.

Inadequate information about foreign markets. For Lithuania, as a small open market economy, it is necessary to promote exports. This requires knowledge of existing and potential foreign markets. However, this process has not yet been implemented in Lithuania. The country has no single institution that compiles information for manufacturers and exporters of all the relevant data on trade in foreign markets—regulatory, quality, packaging, delivery, billing information, and so on.

Economic hardship. In addition to all the factors limiting Lithuanian foreign trade performance, the global economic and financial crisis caused economic losses. The crisis involved not only Lithuania but also the whole world, reducing industrial and commercial activity of numerous countries. This is particularly significant to Lithuania as it plays a larger part in foreign markets and cooperates with them more. It is much harder for such countries to survive during this hardship than in 1999 because at that time trade in the CIS countries had slowed down, while Lithuania was still gaining European markets that weren't touched by the crisis and could reorient their export flows. The current situation is more complicated since the crisis covers the whole world. Lithuanian manufacturers temporarily lost export markets and the hardship encountered created risks of insolvency for businesses. Business enterprises, the main country exporters, in addition to staying in the world market, also have difficulties in surviving in the local market. The economic crisis has spurred the emigration of labour, forcing a part of the skilled workforce capable of creating high value-added products to be lost.

In conclusion, the main issues in foreign trade that have caused the deeply uncompetitive Lithuanian business climate were acquired from the former Soviet Union. These issues are the dependence on imports of raw materials, industrial structure specific to developing countries, domination of low added-value industries, little information about foreign markets and their regulations, imperfect Lithuanian image as a useful trading partner. In addition to these major problems of foreign trade, the global economic crisis has had a negative effect.

The "current real tree" has revealed the fundamental efficiency of foreign trade barriers. In order to solve or reduce these main problems the "progressive future tree" is developed, which suggests how to increase foreign trade efficiency (Fig. 4).

As one can see, the main goal is to reduce the trade balance deficit, which can be done by promoting exports:

Improving the business environment. Entrepreneurs are the economic link that is of greatest benefit to the national economy and population because they create the most value-added products. This produces a healthy environment for business development in Lithuania, constituting one of the most important opportunities for promoting exports.

Export market development. Lithuania, because of its favourable geographical location, has good opportunities not only to maintain the existing export markets but also to expand into new trade areas. Some countries are more affected by economic hardship than others. Lithuania, being of the former, has an easier time strengthening its position in markets which are less affected by the economic hardship and which tend to recover in the short term. The country should direct its exports towards areas strategically close to the sea—the Baltic and Scandinavian countries. Also, it should be more actively involved in the less popular, but high purchasing power markets—the USA, the Arab countries, Israel, the Balkans.

Foreign markets research. It is necessary to carry out research on existing and potential markets concerning the terms of trade, the real situation and perspectives in other countries. An information centre which provides structured materials on foreign markets would be useful for Lithuania. Discrete search of such information is expensive and requires a lot of time and effort, so this measure should be initiated and financed by state institutions.

Improving Lithuania's image. Fostering an appropriate image of Lithuania in the international arena would enhance its attractiveness to existing and potential trading partners and ensure competitiveness. To reach this goal Lithuania could create attractive and informative web sites and distribute publications abroad that carry competitive Lithuanian products, business opportunities, transportation services and publishing. The country could effectively advertise its national trade mark by demonstrating it in international forums and communicating with foreign representatives. Lithuanian businessmen's active participation in international seminars, conferences and other export development events would lead to improved market penetration for business dealing internationally and improve the reputation of the country for distribution.

The representation of Lithuania abroad. Greater Lithuanian diplomatic participation in foreign activities contributes to the country's overall image-building and partnership networking in regards to the country's business trends, requirements and opportunities.

FDI attraction. Thanks to FDI, the competitiveness of Lithuanian goods is increasing. It also helps vulnerable businesses to survive under the harsh con

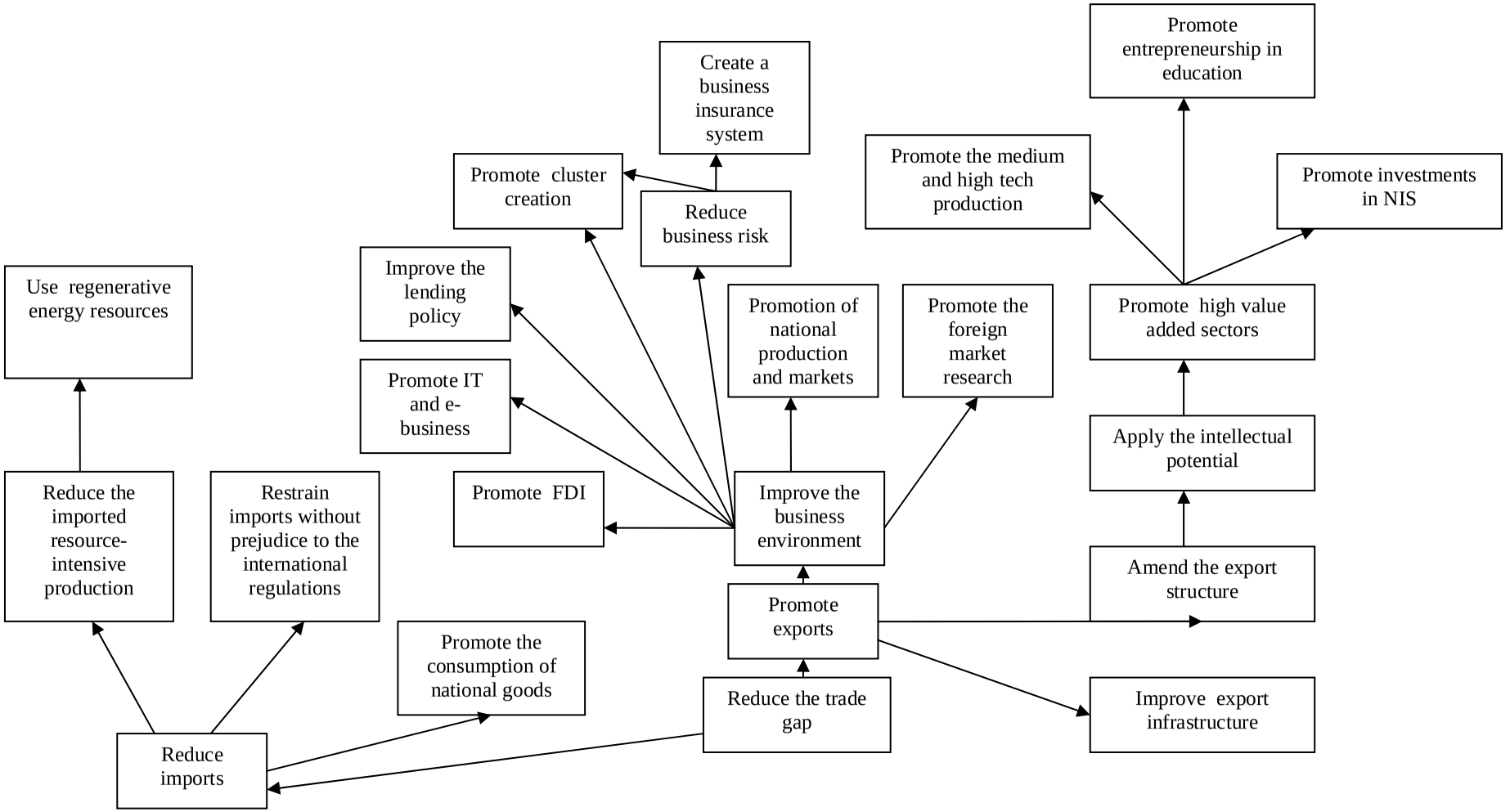


Figure 4. **The progressive future tree for Lithuanian foreign trade.**

ditions and helps new businesses enter the market, contributing to export promotion.

Reduce business risk. One way to improve the business climate is the development of an export credit insurance system with the presence of the state. As the risk of customer insolvency grows, the state may undertake to bear the risk for this. Another way of reducing risk is the diversification of markets through export expansion in order to avoid future negative consequences caused by external shocks.

Encourage the creation of clusters. While the circumstances in today's business economy may be aggravating, one of the ways to reduce the risk of business bankruptcy and to improve the situation is to cooperate collectively. The merger of a few crisis-sensitive businesses or the merger of large and strong businesses into clusters would help them survive in the long term (Mačys, 2005). The state could encourage such business initiatives and support the idea of cooperation.

E-business. Reducing the transportation, logistics, billing, and other expenses, makes it possible to shift a significant part of export processes into cyberspace. The e-business concept is gradually growing in the Lithuanian market but there is an insufficient shift of business opportunities when transferring from the real into the virtual space. This concept should be promoted because, through e-business, a significant part of business efficiency gains are not only in the form of financial resources but also time, productivity, and competitiveness. Electronic entrepreneurship would also encourage the use of intellectual potential, generating higher added-value. Therefore, the implementation of information technologies should be encouraged in business.

Improve the financial conditions for businesses. Financial issues are very important when starting a business. The availability of sufficient financial resources is also an important requirement for the existence of a business. Ensuring financial stability for businesses should contribute to export promotion. One example is improvement of businesses credit conditions.

Improvements in the structure of exports. Most importantly, what has to be changed in this field is the dominant position of competitive, low labour, small added-value productive firms. It is necessary to gradually reduce the number of firms producing such exports and to seek higher added-value producing firms utilizing advanced engineering, biotechnology, medical services, information and communication technology, mechatronics, laser technology and nanotechnology.

Applying the intellectual potential. The Lithuanian comparative advantage in the international market is low-cost skilled labour. However, labour costs will grow over time, so this advantage will be competitive only in the short term. It is therefore necessary to gradually re-orient production in the raw materials and cheap labour-intensive industries towards knowledge-based production. In Lithuania, the possibilities of these branches are encouraged by foreign investment.

Investing in research and development (R & D). In order to increase the added-value of the firms in Lithuanian exports, it is necessary to invest in research and development. These projects will help to create innovations, produce medium- and high-tech products and increase added value.

Corporate education. Many Lithuanian business professionals lack sufficient management skills and knowledge of planning, organization and trade. Therefore, it is important to boost exporter counselling, education, and training. The education of future managers and business training programs should also be improved to link theoretical teaching with practical international business experience to achieve the integration of young professionals into the business market.

Development of export infrastructure. Relying on advanced foreign experience and promoting export development should be used at more institutions concerned with foreign trade, for example, the Export Bank and the Export Information Centre.

Import suppression. In spite of significant import flows into Lithuania with their limited reduction opportunities, a small amount of import goods suppression would be a good thing. As one of the options, it may be too heavily relied on by foreign experience in this field. For example, Germany has announced that its market reacts sensitively to price changes. It takes anti-dumping measures to protect local products from cheap imported goods. These are entry barriers like quality, safety and environmental requirements. In order to protect goods produced in Lithuania from foreign encroachment, it may be possible to set high environmental requirements (Mačys, 2006). For example, the country could require a product to have a quality mark, which would require the importer to comply with higher environmental standards.

Another method of suppression of a conditional import is to reduce the dependence on imports of raw materials. Rational use of natural resources—using them sparingly—could partially restrict this dependence. As a substitute for imported resources it is possible to activate renewable energy resources. The using of mineral oil for the production of electricity needs to be stopped in favour of solar, wind, geothermal, hydro-, biomass energy instead. Lowering the oil consumption of energy resources attaches more passive usage of them in transport, which can be changed in not so efficient but in resource-efficient ways.

In order to increase the demand for Lithuanian local goods, the people's patriotism should be activated in an attempt to make them buy local rather than imported commodities. For this purpose, active public education is necessary.

7. Conclusions

An examination of Lithuanian foreign trade economic indicators and international trade analysis leads to the following findings and suggestions:

- 2004–2008 exports and imports increased: imports into the CIS countries were more than three times those of the EU. The exports were almost twice as large. After Lithuania joined the EU, trade with the CIS region also picked up. During 2004–2008, the foreign trade deficit doubled. The export and import sales structure was dominated by mineral products, food products, machinery and equipment.
- The analysis carried out by the economic indicators showed Lithuania's foreign trade problem was a large trade deficit and the dominance of low added-value industries in exports. At the same time, the majority of Lithuania's exports were dependent on imported raw materials.
- The method of constraints highlighted the essential Lithuanian foreign trade issues, most important of which is the foreign trade deficit. It led to several important conclusions: Lithuanian export goods production is dependent on imported raw materials, former Soviet Union countries are characterized by their industrial and export structures, the lack of competitiveness of the country compared to powerful countries, lack of information about foreign trade regulations, imperfect Lithuanian image and recognition in foreign markets. All these conditions contributed to the global economic and financial crisis, further highlighting the problem of Lithuania's foreign trade.
- In order to reduce the trade balance deficit, it is necessary to use export promotion measures: improving the business climate in the country, initiating the development of cooperation, easing the administrative burden for businesses, developing a credit insurance system, establishing large foreign business information centres, simplifying the credit conditions and promoting innovation.
- It is necessary to change the Lithuanian industrial and export structure. Lithuania should transition from natural resources and energy-intensive goods production and exports to higher added-value, modern high-tech manufacturing and services in foreign markets, increasing the use of intellectual potential.
- Improving the management capacity of the industry—the development of consultations, workshops and training, to strengthen their theoretical knowledge in practical terms.
- Reduce Lithuanian export dependence on imported raw materials using alternative renewable energy sources.
- Taking advantage of foreign experience to promote the use of Lithuanian goods to limit the demand for imported goods within the country.

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LIETUVOS PREKYBOS POLITIKA: PRAEITIES PATIRTYS IR GAIRĖS ATEIČIAI

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Santrauka. Straipsnyje išnagrinėta Lietuvos užsienio prekybos raida 1995–2008 m. Aptariama Europos Sąjungos užsienio prekybos politika ir Lietuvos integracijos į jos prekybos sistemą tvarka. Atlikta Lietuvos eksporto ir importo srautų lyginamoji analizė. Taikant apribojimų teorijos metodą atliktas išsamus užsienio prekybos tyrimas, kurio metu nustatytos pagrindinės šalies užsienio prekybos problemos, trukdančios efektyviai šios ekonomikos srities veiklai. Darbe pateikiamos išvados dėl Lietuvos užsienio prekybos bei siūlomos priemonės šiai sričiai gerinti.

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