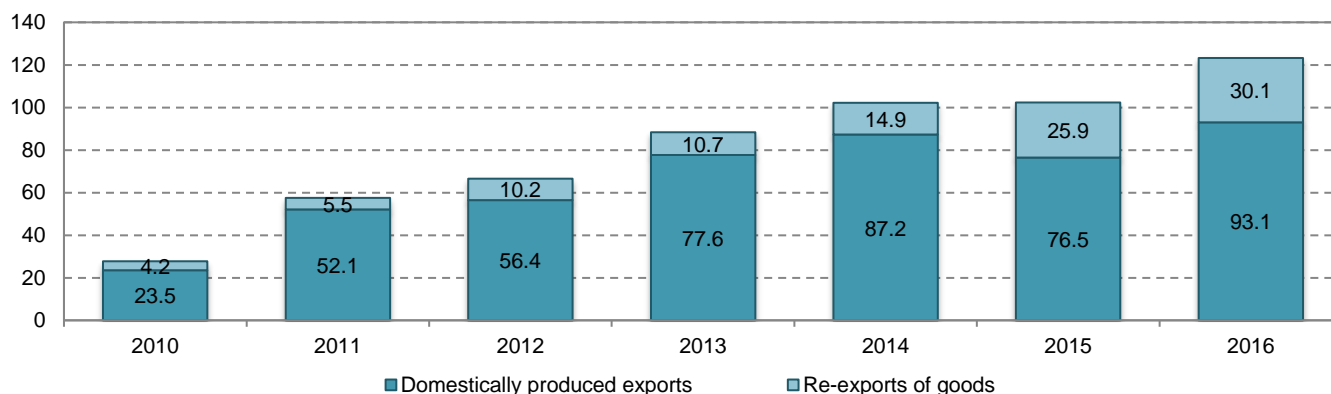


SUMMARY

► The trade relationship between Lithuania and China is intense in imports of goods, but less so in exports of goods. In 2015 trade turnover in goods between China and Lithuania increased by almost 8% until 827.7 million euro and was driven mainly by an increase in imports value. Imports increased by almost 9% (to 725 million euro), whereas total exports in 2015 grew only by 0.2 % (to 102 million euro). The small increase in total exports was determined by growth (by almost 74%) in re-exports (to 26 million euro), whereas domestically produced exports declined (by 12%) to 77 million euro.

► Some trends differed in 2016. Although the value of turnover of goods between China and Lithuania remained almost the same (831.4 million euro), total exports grew by 20% (to 123 million euro), whereas imports declined by 2% (to 708 million euro). Growth in exports was driven by both domestically produced exports and re-exports. The highest positive impact on export growth (more precisely, in domestically produced exports) was recorded within such goods categories as furniture (grew by almost 30%) and optical, medical and surgical instruments (grew more than twice), whereas negatively within copper (declined by almost 90%) and miscellaneous chemical products (dropped by 75%). The decline in total imports was driven by such goods categories as electrical machinery and equipment (dropped by 8%) and articles of iron and steel (by 29%). In 2016 China was Lithuania's 26th largest exports partner and 11th largest import partner measured by trade in goods.

► Lithuania has a large negative trade balance in goods with China. In 2015 imports exceeded exports more than 7 times and in 2016 6 times. Some improvement in the trade balance in 2016 was, as noted above, driven by an increase in exports (both exports of Lithuanian origin and re-exports) and a decline in the import value. In 2016, 76% of total exports were made up of domestically produced exports and 24% of re-exports.

Figure 1. Lithuanian exports of goods to China 2010-2016, million euro.


Source: Statistics Lithuania and Enterprise Lithuania calculations.

► In 2015, compared to 2014, the export value of services to China did not change substantially and amounted to approximately 30 million euro. Imports of services was somewhat lower with around 20 million euro, resulting in a positive trade balance in services with China. Trade in services between Lithuania and China was intense only in transport services. This category dominated in both export and import structures of services. This service category showed a growing pattern between 2014 and 2015, though there are some signs that these trends in trade of services might reverse in 2016. In 2016 Q1-Q3 exports of services to China declined by 50%, whereas imports of services from China dropped by 60% on an annual basis.

Table 1. Bilateral trade between Lithuania and China 2014–2016.

	2014		2015		2016	
	Share, %	Rank	Share, %	Rank	Share, %	Rank
Goods						
Share of partner country in total exports of goods	0.42 %	26	0.45 %	26	0.54 %	26
Share of partner country in domestically produced exports of goods	0.63 %	24	0.57 %	26	0.69 %	25
Share of partner country in re-exports of goods	0.14 %	32	0.28 %	27	0.33 %	25
Share of partner country in imports of goods	2.57 %	13	2.86 %	13	2.85 %	11
Services						
Share of partner country in exports of services	0.52 %	25	0.50 %	26
Share of partner country in imports of services	0.39 %	35	0.42 %	36

Source: Statistics Lithuania, Bank of Lithuania and Enterprise Lithuania calculations.

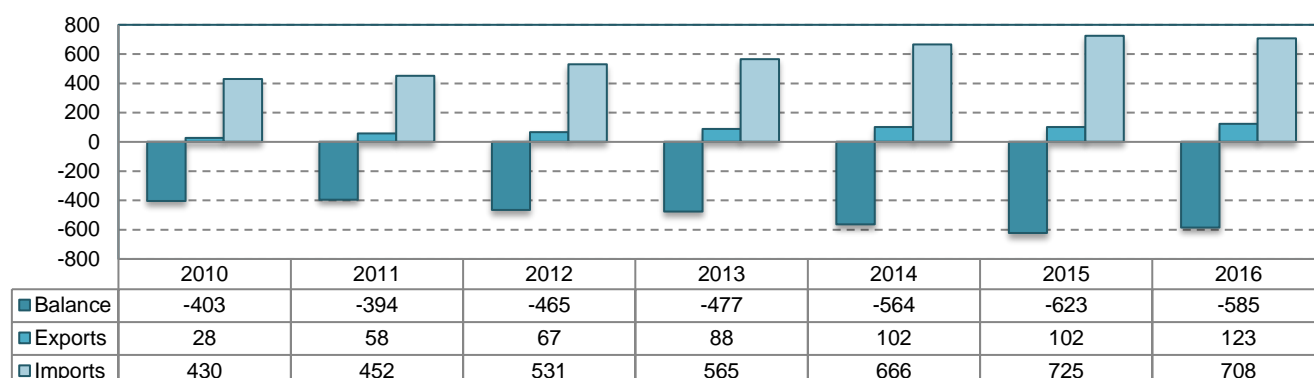
I. TRADE BALANCE

According to Balance of Payments statistics, Lithuania had a large negative total trade (of goods and services) balance with China (excluding Hong Kong) of 558 million euro in 2015, which increased from 503 million euro in 2014. In 2016 Q1-Q3 the total trade balance somewhat improved (from a deficit of 429 million euro in 2015 Q1-Q3 to a deficit of 397 million euro in 2016 Q1-Q3).

In regards to trade balance in goods, Lithuania had a large trade deficit with China in 2015 of 623 million euro. In 2015, the import value from China exceeded the export value more than 7 times. In 2016, the gap somewhat narrowed with the trade deficit in goods decreasing to 585 million euro. This trend was driven by an increase in exports and a decrease in imports. In 2016 total

exports of goods grew by 20.3%, whereas imports declined by 2.4%. The growth in exports was driven by both domestically produced exports and re-exports. The highest positive impact on export growth (more precisely, in domestically produced exports) was recorded within such goods categories as furniture (grew by 30%) and optical, medical and surgical instruments (grew more than twice), and negatively within copper (declined by almost 90%) and miscellaneous chemical products (dropped by 75%). The decline in total imports was driven by such goods categories as electrical machinery and equipment (dropped by 8%) and articles of iron and steel (by 29%).

Figure 2. Bilateral trade of goods between Lithuania and China in 2010-2016, million euro.



Source: Statistics Lithuania.

In regard to services, the trade relationship between Lithuania and China is less intense and Lithuania has a positive trade balance in services with China. In 2015 the turnover of services amounted for approximately 50 million euro, with an export value of services to China of around 30 million euro and an imports value of approximately 20 million euro. Trade in services was intense only in transport services. This category dominated both export and import structures of services.

II. DOMESTICALLY PRODUCED EXPORTS

In 2015 domestically produced exports to China decreased by 12.3% and reached a value of 76.5 million euro. In 2016 the trend reversed with exports of Lithuanian origin increasing by more than 20% (or 16.6 million euro) to reach a value of 93.1 million euro. Positive growth drivers in 2016 were furniture and bedding (increase of almost 30%), optical, medical and surgical instruments (grew more than twice) and wood and its products (grew by 34%). All these product groups also owned the biggest shares of domestically produced exports from Lithuania to China with corresponding shares of 38%, 13% and 21% respectively. In 2016, the highest decline in exports was recorded in copper (dropped by almost 90%) and in miscellaneous chemical products (dropped by 75%). Compared to 2015, the exceptional strong growth in exports of optical, medical and surgical instruments led to the increased importance of this product group in the export structure to China at the expense of the decreased share of copper products.

The largest share in domestically produced exports to China in 2016 consisted of furniture with an exported value of 35.6 million euro. This product group made up 38% of domestically produced exports in 2016 and exports in this product category grew with almost 30% (or 8.1 million euro). The majority of exports in 2016 consisted of various types of wooden furniture (94% of total exports) and plastic chandeliers (2%). Growth in exports in this product category in 2016 was driven by the former – the largest – product subgroup.

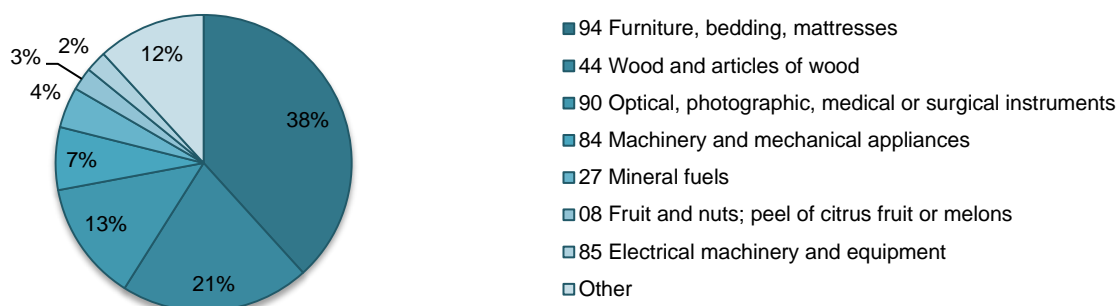
The second largest category in 2016 was exports of wood and articles of wood. Export of these products in 2016 grew by 34% (or 4.8 million euro) until 19.3 million euro and this product category made up 21% of total domestically produced exports to China. The exports in this product group consisted of wood in the rough (37%), wood sawn or chipped (31%) and flooring panels (28%). The strongest growth in 2016 was recorded in the wood in the rough subcategory, although other sub categories contributed also substantially to export growth to China.

Exports of optical, medical or surgical instruments in 2016 made up 13% of total domestically produced exports to China. Export in this product group doubled since 2015 and reached a value of 12.2 million euro in 2016. The largest exports shares were taken by such products as lasers (around 70%) and medical, dental and veterinary instruments (10%). Growth in exports of optical, medical or surgical instruments in 2016 was to a high extent determined by the laser technology industry.

Exports of machinery and mechanical appliances in 2016 grew by 29% (or 1.4 million euro) until 6.4 million euro. This product category made up 7% of total domestically produced exports to China. More than half (53%) of this product group exports consisted of bath appliances, parts of air conditioning machines (21%) and other product parts. The strongest increase in exports in 2016 was recorded in bath appliances, whereas exports of parts of air conditioning machines decreased.

Mineral fuels were also one of the largest categories of goods exported by Lithuania to China in 2016. Exports of mineral products decreased in 2016 by 9% (or 0.4 million euro) and in 2016 this product group made up 4% of total domestically produced exports to China. 65% of exports of mineral products consisted of peat and 34% of lubricating and other oils. The decrease in exports of mineral fuels in 2016 was driven by both product subgroups.

Figure 3. Structure of exports of goods produced in Lithuania to China in 2016, %.



Source: Statistics Lithuania and Enterprise Lithuania calculations.

Table 2. Exports of domestically produced goods to China, million euro.

Commodity category (by CN)	2011	2012	2013	2014	2015	2016	2016 annual growth, %
TOTAL	52.1	56.4	77.6	87.2	76.5	93.1	22%
94 Furniture, bedding, mattresses	10.1	13.5	14.8	22.9	27.5	35.6	30%
44 Wood and articles of wood	22.4	12.4	33.7	28.1	14.4	19.3	34%
90 Optical, photographic, medical or surgical instruments	1.9	3.6	2.9	5.4	5.5	12.2	123%
84 Machinery and mechanical appliances	4.2	2.2	4.2	9.9	4.9	6.4	29%
27 Mineral fuels	1.7	2.4	2.4	3.5	4.6	4.2	-9%
08 Fruit and nuts; peel of citrus fruit or melons	0.7	5.9	2.9	0.9	0.4	2.3	539%
85 Electrical machinery and equipment	0.5	1.4	0.8	1.9	1.1	2.2	97%
34 Soap, washing preparations and others	0.0	0.2	0.1	0.2	0.6	1.0	68%
38 Miscellaneous chemical products	1.4	1.9	2.6	2.1	3.1	0.8	-75%
74 Copper and articles thereof	3.9	3.9	3.9	5.7	6.4	0.7	-89%
39 Plastics and articles thereof	0.6	1.4	1.5	1.2	0.5	0.7	38%
35 Albuminoidal substances; modified starches; enzymes	1.4	1.4	1.8	1.6	2.5	0.7	-74%
Other goods	3.1	6.2	5.9	4.0	5.1	7.2	41%

Source: Statistics Lithuania and Enterprise Lithuania calculations.

III. EXPORTS OF SERVICES

In 2015 exports of services to China were around 30 million euro and did not change considerably since 2014. In 2015 China was the 26th largest export partner for Lithuanian service providers. Exports of services consisted mainly of transport services while other service categories made up negligible shares in the export structure. Exports of transport services to China has been increasing gradually since 2013. The value of this service category tripled during the 2013-2015 time period. A similar pattern was observed for travel services. Between 2013 and 2015 exports of travel services doubled and reached 0.8 million euro in 2015. Other service categories, such as for instance other business services, usually show less stable growth patterns. In the first three quarters of 2016, exports of services to China decreased by more than 50%.

Table 3. Exports of services to China, million euro.

Balance of payments category (EBOPS 2010)	2013	2014	2015	2015 annual change %
Total	2.1	30.3	29.8	-1.6%
Transportation services	9.2	29.0	30.4	4.6%
Other business services	1.6	2.3	1.7	-28.0%
Travel services	0.4	0.6	0.8	26.4%
Government goods and services	0.4	0.2	0.4	86.6%
Maintenance and repair services	0.0	0.0	0.3	...
ICT services	0.0	0.0	0.1	331.6%
Financial services	0.0	0.0	0.0	-18.8%
Personal, cultural, and recreational services	0.0	0.0	0.0	38.1%
Manufacturing services on physical inputs owned by others	-9.6	-1.9	-3.8	96.0%

Source: Bank of Lithuania and Enterprise Lithuania calculations.

IV. POTENTIAL EXPORT OPPORTUNITIES

The Decision Support Model (DSM)¹ identified 151 product groups (on 6-digit combined nomenclature) with potential opportunities for Lithuanian exporting companies in China. Most potential export opportunities were identified for the clothing and apparel industry, the plastics manufacturing industry and the food industry. Note, however, that China has substantial import tariffs for clothing and apparel in place, with average rates of 16.1%, while the food industry faces tariffs as well, ranging from 12.2% on average for dairy products to an average of 27.4% for sugar and confectionary.² In addition, there are non-tariff barriers for certain food imports that can require substantial investments for Lithuanian companies to overcome.

Table 4. Top 10 export opportunities for Lithuanian companies in China according to the Decision Support Model.

CN six-digit product code and description	Short-term growth (2015)	Long-term average growth (2010-2015)	Import market size (million euro)	Degree of concentration (HHI-index)
210690 Food preparations, n.e.s.	54.1%	26.6%	1168.7	0.095
610990 T-shirts, singlets and other vests of textile materials, knitted or crocheted (excl. cotton)	52.4%	38.8%	167.4	0.096
220290 Non-alcoholic beverages	86.4%	49.5%	287.0	0.143
611030 Jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted	43.9%	29.9%	180.4	0.097
240220 Cigarettes, containing tobacco	455.9%	54.0%	488.7	0.188
940490 Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled with any material or of cellular rubber or plastics	67.1%	22.2%	67.8	0.075
220300 Beer made from malt	69.2%	63.7%	518.4	0.197
620442 Women's or girls' dresses of cotton (excl. knitted or crocheted and petticoats)	54.5%	31.7%	57.9	0.100
620640 Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excl. knitted or crocheted and vests)	48.4%	45.0%	34.5	0.093
842121 Machinery and apparatus for filtering or purifying water	33.8%	21.8%	407.3	0.113

Source: Eurostat Comext, UN Comtrade, Statistics Lithuania and Enterprise Lithuania calculations.

V. IMPORTS OF GOODS

In 2016, compared to 2015, the value of imports of goods from China decreased by 2.4% (or 17.2 million euro) – to 708.2 million euro. The drop in import value was basically driven by two goods categories: electrical machinery and equipment (dropped by 11.3 million euro) and articles of iron and steel (decreased by 11.5 million euro). The increase in imports of furniture and bedding (by 8.8 million euro) partially compensated this decrease in imports. Compared to 2015, the structure of imports did not change substantially. The main import categories in 2016 were electrical machinery and equipment, machinery and mechanical appliances, furniture, articles of base metals, organic chemicals, transport means and plastics.

In 2016 the largest imported category of goods from China was electrical machinery and equipment, which made up 18% of total imports from China. Imports in this group dropped by 8% (or 11.3 million euro) in 2016 to 126.3 million euro and was one of the main contributors to the decrease in total import value from China in 2016. Most items within this category consisted of telephone sets (13% of the total imports within this products group), parts for electric equipment (12%), cameras (5%) and electric conductors (4%). The highest decline in import value in 2016 was recorded in parts for electric equipment.

The import value of machinery and mechanical equipment did not change considerably since 2015. This group of goods had a share of 12% in total imports from China and with 82.3 million euro it was the second largest category. The main imported items within this group of goods were automatic data processing machines (almost 30%), air-conditioning machines (6%) and agricultural machinery (5%).

Imports of furniture, bedding, mattresses and similar items, with a share of 7% in total imports, increased by almost 25% (or 8.8 million euro) in 2016 to 45.9 million euro. The growth of imports in this product group partly compensated the decrease in total import value, which was driven by such categories as electrical machinery and equipment and articles of iron and steel. Imports of this group consisted mainly of chandeliers and electric lamps (41%), seats (18%), furniture parts (14%) and mattresses (10%). The highest increase in 2016 was recorded by the import value of mattresses.

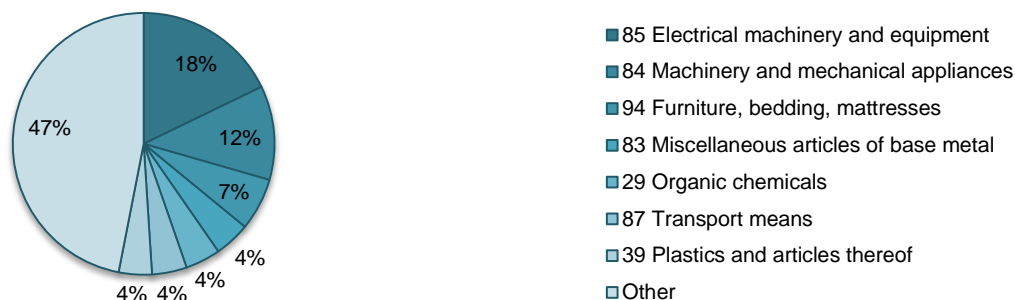
Imports of articles of base metals, making up 4% of total imports from China, increased slightly with 2.7% to 31.2 million euro in 2016. The highest shares in this product category were made up of items such as base metal parts suitable for furniture and buildings (70%).

The import value of organic chemicals, accounting for 4% in the total import structure, increased negligibly and amounted to 30.7 million euro in 2016. 82% of total imports in this product group consisted of amino-acids and amino-alcohol-phenols.

¹ The Decision Support Model (DSM) is used to identify suitable export opportunities. The DSM takes into account Lithuania's revealed comparative advantage (products in which Lithuania is a relatively strong exporter in world markets), short-term and long-term import (value) growth of the product under consideration and the degree of market concentration for this product (an assessment whether it is difficult to enter the market for that product, the lower the index, the least concentrated the import market for this product). The full list of export opportunities for Lithuanian exporters in China is available on request from analitikai@versli Lietuva.lt.

² For a list of average and maximum tariffs for broad product categories in China, see: <http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=CN>.

Figure 4. Structure of imports of goods from China in 2016, %.



Source: Statistics Lithuania and Enterprise Lithuania calculations.

Table 5. Imports of goods from China, million euro.

Commodity category (by CN)	2011	2012	2013	2014	2015	2016	2016 annual growth, %
TOTAL	451.5	531.3	565.1	666.1	725.3	708.2	-2%
85 Electrical machinery and equipment	90.8	84.2	97.7	124.0	137.6	126.3	-8%
84 Machinery and mechanical appliances	62.3	89.1	83.0	89.9	81.3	82.3	1%
94 Furniture, bedding, mattresses	24.0	25.3	25.1	37.0	37.1	45.9	24%
83 Miscellaneous articles of base metal	19.2	26.7	25.5	28.4	30.4	31.2	3%
29 Organic chemicals	6.5	8.0	11.1	16.3	30.6	30.7	0%
87 Transport means	21.2	21.5	28.0	29.4	32.2	30.4	-6%
39 Plastics and articles thereof	19.3	23.5	29.9	34.9	28.6	29.0	1%
73 Articles of iron or steel	21.1	24.3	23.5	26.0	40.2	28.7	-29%
40 Rubber and articles thereof	11.1	11.4	12.4	18.6	22.8	26.8	17%
90 Optical, photographic, medical or surgical instruments	13.3	17.7	17.6	18.5	25.2	25.9	3%
95 Toys, games, and sports requisites; parts and accessories thereof	14.6	17.9	20.7	28.1	24.9	25.7	3%
61 Articles of apparel and clothing accessories, knitted or crocheted	10.3	11.8	13.6	15.0	20.5	19.4	-6%
Other goods	137.8	170.0	176.8	199.8	214.0	205.9	-4%

Source: Statistics Lithuania and Enterprise Lithuania calculations.

VI. IMPORTS OF SERVICES

In 2015 Lithuania imported services from China for almost 20 million euro. In 2015 China was Lithuania's 36th largest import partner for services. The highest share of imported services from China were made up by transport services (84%) and also by other service categories such as business services (6%), government goods and services (5%) and travel services (3%). In the first three quarters of 2016, imports of services from China decreased by more than 60%.

Table 6. Imports of services from China, million EUR

Balance of payments category (EBOPS 2010)	2013	2014	2015	2015 structure	2015 annual change %
Total	22.2	15.6	17.8	100%	13.9%
Transportation services	19.8	12.1	14.9	84%	23.2%
Other business services	0.6	1.7	1.1	6%	-37.5%
Government goods and services	1.0	0.7	0.9	5%	28.3%
Travel services	0.5	0.5	0.5	3%	2.8%
Charges for the use of intellectual property n.i.e.	0.0	0.0	0.2	1%	
ICT services	0.0	0.0	0.2	1%	689.2%
Maintenance and repair services	0.0	0.1	0.0	0%	-34.2%
Financial services	0.1	0.2	0.0	0%	-85.2%
Personal, cultural, and recreational services	0.0	0.0	0.0	0%	-30.9%
Insurance and pension services	0.2	0.1	0.0	0%	-100.0%
Manufacturing services on physical inputs owned by others	-0.1	0.2	-0.1	0%	-134.5%

Sources: Bank of Lithuania and Enterprise Lithuania calculations.

VII. CHINESE IMPORTS

In 2015 Lithuania was the 121st largest import partner for China.

Table 7. Chinese imports by country, billion euro.

Country	2011	2012	2013	2014	2015
Total	1251.7	1413.7	1468.1	1473.0	1515.0
Korea	116.8	131.2	137.8	143.0	157.3
United States of America	88.4	104.0	115.5	120.2	135.6
Taiwan	89.7	102.8	117.8	114.3	130.6
China	88.0	111.1	118.6	108.8	130.1
Japan	139.7	138.3	122.1	122.5	128.9
Germany	66.6	71.5	70.9	79.0	79.0
Australia	59.4	65.8	74.5	73.5	66.6
Malaysia	44.6	45.3	45.3	41.9	48.0
Brazil	37.6	40.7	40.9	38.9	39.9
Switzerland	19.6	17.8	42.3	30.4	37.1
Thailand	28.0	30.0	29.0	28.8	33.5
Russian Federation	29.0	34.3	29.9	31.3	29.9
Other countries	444.3	521.0	523.5	540.4	498.4

Source: Trademap.

Table 8. Chinese imports of goods by commodity group, billion euro.

Country	2011	2012	2013	2014	2015
Total	1251.7	1413.7	1468.1	1473.0	1515.0
85 Electrical machinery and equipment	252.0	296.7	330.8	319.2	388.8
27 Mineral fuels	198.0	243.4	237.3	238.4	179.0
84 Machinery, mechanical appliances	143.1	141.5	128.4	135.0	141.6
90 Optical, photographic, medical instruments	71.2	82.5	81.0	79.6	89.8
26 Ores, slag and ash	108.2	104.0	112.0	101.5	85.6
99 Commodities not elsewhere specified	35.5	53.5	78.9	62.3	72.5
87 Transport means	47.0	54.9	55.8	67.3	62.7
39 Plastics and articles thereof	50.4	54.0	54.5	56.6	59.1
29 Organic chemicals	45.3	47.3	49.6	45.4	43.1
12 Oil seeds and oleaginous fruits; miscellaneous grains	23.0	30.0	32.1	34.5	35.9
74 Copper and articles thereof	39.0	42.4	37.5	35.6	34.6
88 Aircraft, spacecraft, and parts thereof	9.7	13.7	17.5	21.4	25.2
Other goods	229.4	249.9	252.7	276.4	296.9

Source: Trademap.