

LITHUANIA

By Interfax-CNA

Lithuania expanded its economy by 8.9% in 2003 and foreign direct investment (FDI) rose 3.1% to a per capita Lt3,927. Nevertheless, the rate of FDI growth slowed considerably in 2003, with investments up by just 3% to Lt13.6 billion, compared with 15% in 2001, and 23.4% in 2002. A large share of investment in 2003 came from Germany and Finland, while in 2002 it mostly came from Russia, Germany and Estonia. Lithuania lowered its foreign trade deficit by 4.8% in 2003 to Lt7.9 billion. Exports increased 8.7% to Lt22.1 billion and imports rose 4.9% to Lt30 billion.

The country placed €600 million in Eurobonds and demand for the bonds considerably exceeded supply. The high demand and low yield indicates increased investor confidence in the country thanks to its stable economy. Moody's has given Lithuania an 'A3' long-term borrowing rating, Standard & Poor's an 'A-' rating and Fitch a 'BBB+' rating.

Lithuania's mining industry does not play a significant role in the economy - the country extracts only peat and some industrial minerals but it does possess some domestic oil reserves.

Oil production in the country during 2003 fell 12% to 388,200 t (in 2002 oil output was down 7.8%). The drop in production is due to the limited oil reserves in the republic, the exhaustion of existing fields and difficulties with bringing new fields into production. Industry experts estimate that oil reserves in the country do not exceed 46 Mt, whilst the Geological Service puts these reserves at about 60 Mt. There are four companies involved in oil exploration and production in Lithuania: Lithuanian-Danish Minijos Nafta, Genciu Nafta, Manifoldas and Geonafta, a company with Polish capital.

Meanwhile, the Environment Ministry has banned oil companies from prospecting for, and extracting, oil on the banks of Kurshsky Bay near the town of Kintai. This reflects the wishes of local residents and conclusions by specialists on the effects oil production could have on the local environment. Minijos Nafta had been exploring in the area, and was planning to work three production sites, a fourth having already been excluded. The search turned up possible deposits of 2 Mt of oil, and around 600,000 t could have been extracted. One important reason behind the ban was that the town is in an environmentally sensitive area in the Neman regional park and Kintai botanical preserve. Tourism is a major source of local income, and oil production could have dealt that a serious blow.

The country's former intentions to work the area for oil were used by Russia as a serious counter-argument against Lithuanian efforts to prevent Lukoil from producing oil at the D-6 deposits in the Baltic Sea, not far from Kurshsky Bay, which UNESCO has put on the world heritage list.