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**FACULTY OF SOCIAL SCIENCES ARTS AND HUMANITIES**  
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**ECONOMIC ASPECTS AND CULTURAL DIMENSION ON USA INVESTMENTS TO  
SELECTED EUROPEAN UNION MEMBER STATES**

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**EKONOMINIAI ASPEKTAI IR KULTŪRINĖ JAV INVESTICIJŲ DIMENSIJA**  
**PASIRINKTOSE EUROPOS SĄJUNGOS ŠALYSE**

Magistro baigiamasis projektas

**Europos Sąjungos Tarptautiniai Santykiai**  
**(kodas M7126N21)**

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## SANTRAUKA

### **Ekonominiai aspektai ir kultūrinė JAV investicijų dimensija pasirinktose Europos Sąjungos šalyse**

Šiuolaikiniame pasaulyje investicijų vaidmuo yra ypatingai svarbus. Taupyti ar investuoti žmonės išmoko ilgainiui. Kiekviena investicija pradedama nuo paprastų dalykų. Kaip investuoja žmonės, taip pat investuoja ir kompanijos ar net šalys. Investicijos gali būti ir sėkmingos, ir atvirksčiai. Šiais laikais tiek žmonės, tiek kompanijos investuoja į įvairius dalykus, nes investicijos yra pagrindinis variklis įvairiausiose gyvenimo srityse ir, ko gero, yra susijusios su viskuo, kas šiandien yra aplink mus. Gali būti sudėtinga tvarkyti finansus net kasdieniniame gyvenime, o ką jau kalbėti apie didesnes ir svarbesnes investicijas. Yra daugybė veiksnių, kuriuos svarbu išmanyti, tokių kaip mokesčiai, įstatymai, asmeninio turto apsauga, susijusi su išlaidomis ir investicijų rizika.

Dažniausias šių dienų reiškiny – investicijos į kitų šalių įmones. Tai turi didelę įtaką ekonominiam augimui tiek vienoje, tiek kitoje šalyje. Daugelis žmonių palieka gimtąsias šalis ir keliauja po pasaulį arba apsisotja tam tikroje užsienio šalyje, norėdami užsidirbti. Tokiu būdu žmonės neprisideda prie savo šalies ekonominio augimo. Labai populiarus ir toks reiškiny, kai žmonės dirba savo gimtojoje šalyje, tačiau užsienio kapitalo įmonėse. Taip yra todėl, kad užsienio įmonės investuoja, kurdami ir plėsdami verslą kitose šalyse, taip naudodami kitų šalių darbo jėgą. Tokių įmonių yra ne tik Europoje, bet ir Lietuvoje. Europoje yra daugybė įvairių gamyklų ir kompanijų, kurių kapitalas atkeliauja netgi iš tolimųjų šalių. Tokios investicijos gali būti sutelkiamos į pinigus arba į pinigus bei infrastruktūrą ir šie investicijų tipai gali paveikti ekonominį augimą tiek investuojančioje, tiek investicijas gaunančioje šalyje.

Šis magistro darbas yra svarbus ir aktualus, nes gali prisidėti prie tolimesnių tyrimų, susijusių su investicijomis, jų kryptimis.

Baigiamojo darbo **tikslas** – ištirti ekonominius ir kultūrinius JAV investicijų pasirinktose ES valstybėse narėse aspektus.

Analizės **objektas** yra USA investicijų partnerystė su ES.

Baigiamojo darbo **uždaviniai**:

1. Išryškinti investicijų poveikį šalies ekonomikos vystymuisi iš teorinės perspektyvos;
2. Identifikuoti ES investicijų politikos su JAV specifika;
3. Atlikti tyrimą, siekiant suklasifikuoti ekonomines ir kultūrinės investicijų sritis pasirinktose ES valstybėse narėse;
4. Apibendrinti pagrindines investicijų tendencijas pasirinktose ES valstybėse narėse.

Magistro baigiamajame darbe taikomi šie tyrimo **metodai**:

1. Mokslinės literatūros apžvalga ir sintezė.
2. Aprašomoji esamos investicijų iš JAV į ES valstybes nares situacijos analizė, partnerystės investicijų iššūkiai, problemos ir kryptys.

Baigiamajame darbe nagrinėjama **problema** – kaip ekonominiai ir kultūriniai aspektai paveikia JAV investicijas ES valstybėse narėse.

Baigiamąjį bakalauro darbą sudaro santrauka lietuvių kalba, įvadas, dvi pagrindinės dalys, išvados, literatūros sąrašas ir priedai. Pagrindinės darbo dalys – teorinė ir tiriamoji.

Pirmoji darbo dalis yra teorinė ir pradedama tiesioginių užsienio investicijų šalies vystymuisi vertinimu, vėliau pabrėžiama teorinės dimensijos, susijusios su šalies ekonomine ir kultūrine aplinka. Antroji darbo dalis identifikuoja TTIP vaidmenį bei šios partnerystės vystymosi specifika dvišaliuose JAV ir ES santykiuose. Vėliau tiriamas teisinis pagrindas bei sutartys, darančios įtaką eksportui iš JAV į ES. Trečioji darbo dalis yra tiriamoji ir yra pradedama tyrimo metodologijos pagrindimu. Vėliau yra tiriamos bei klasifikuojamos pagrindinės JAV investicijų tendencijos ES, taip pat tiriami kultūriniai aspektai ir jų ryšys su JAV investicijomis ES. Ketvirtoji dalis apibendrina pagrindinius JAV investicijų ES tendencijų aspektus. Remiantis JAV-ES investicijų partnerystės tyrimu yra pateikiamos išvados.

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Key words: investment, economy, politics, regulations, culture.

## SUMMARY

### **Economic aspects and cultural dimension on USA investments to selected EU member states**

Nowadays investment plays an especially important role. There is no person knowing about how to save money or invest since he or she was born. It is quite difficult process requiring experience, competences and knowledge. Every investment begins from the simple things. When people invest, companies or even countries can invest too. Investments might be successful or not. Today both people and companies invest to various things, because investment is the main engine in various spheres of life and probably is related to everything that surrounds us. It might be difficult to deal with finances in our everyday life, not to mention the larger and more important investments. There are many factors that are related to costs and investment risks and are needed to know, such as taxes, laws, security of personal property.

The most common phenomenon these days are investments in foreign companies. It has a significant impact on economic growth both in investing country and in another country which gets investment. Many people leave their home countries and travel around the world or stay in a particular country in order to earn money. In this way, people do not contribute to the growth of their native countries. Another very popular phenomenon – when people work in their own native country, but in foreign-own enterprises. The reason is that foreign companies invest to foreign countries by creating and developing business, thus using foreign workforce. Such companies exist not only in the biggest European countries, but also in Lithuania. Europe has many various factories and companies, which capital comes even from distant countries. Such investments may be concentrated to money or to money plus infrastructure and these types of investment may affect economic growth either in investing country, or in the country getting the investment.

This research project is significant and relevant, because it can contribute to further research related to investments and their trends.

The **aim** of the research project is to investigate the economic and cultural aspects of USA investments to the selected EU member states.

The **object** of the analysis is USA investment partnership with the EU.

The **tasks** of the research:

1. To highlight the impact of investment for the development of state's economy from the theoretical perspective;
2. To identify the specificity of EU investment policy with USA;
3. To make the research in order to classify economic investment fields and cultural aspects in the selected EU member states;
4. To generalize the main investment trends in selected EU member states.

The following **research methods** are applied in this particular research paper:

1. Literature review and synthesis.
2. Descriptive analysis of the current investment situation from US to EU, partnership investment challenges, problems and trends.

The **problem** examined in the research paper – how economic and cultural aspects impacts investment from US to selected EU member states.

This particular research project consists of summary in Lithuanian and English, introduction, four main sections, results, conclusions, references and annexes. The main parts of the research are theoretical and analytical.

The first part is theoretical and it begins with the evaluation of foreign direct investment for the development of the country, later it emphasizes theoretical dimensions of state's economic and cultural environment.

The second part identifies TTIP role and specificity of development in bilateral USA-EU relations, later examines agreements and legal basis affecting exports from USA to EU.

The third part is research and it substantiates research methodology, classifies and investigates the main USA-EU investment trends, later examines cultural aspects and their relation to investment from USA to EU.

The fourth part generalizes the main aspects of investment trends from USA to EU.

After the analytical part is finished, conclusions are provided according to the investigation of US-EU investment partnership.



## INTRODUCTION

With respect to **novelty** and **relevance** of the selected topic of research project, it is important to mention that although the topic is not really relatively new and several studies are made examining it, this topic is still very important due to the fact that the economic relationship of EU and USA continents is extremely important in the world's relations. This research project could also contribute to the following studies related EU-US economic relations.

The EU and the US are the biggest economic and military powers in the world, despite the lack of a common EU defence policy. They dominate global trade, they play the leading roles in international political relations and what one says matters a great deal not only to the other, but also to the rest of the world. And yet they have regularly disagreed with each other on a wide range of specific issues, as well as having often quite different political, economic, and social agendas.

Due to the European Union not having a fully integrated foreign policy, relations could be more complicated where the EU did not have a common agreed position e.g. EU foreign policy was divided during the Iraq War. Understanding the relationship today means reviewing developments that predate the creation of the European Economic Community (precursor to today's European Union).

The international relations of EU and US are based on some main basic points such as economy, politics, law and culture. All of them are connected and no one should be omitted while communicating. In order to maintain good relations between EU and US special attention must be paid on these four points of partnership. Thus, various agreements, meetings, contracts, protocols and etc., require mutual understanding between both sides and understanding of the cultures gradually became an integral part of the communication. International relations between EU and US are more deeply analysed by such economists and politics as Derek (2015), Meunier (2000; 2005), Howorth and Menon (2009), Smith (2006), Peterson and Steffenson (2009), etc. What is more, cultural aspects are also analysed by such experts of culture as Professor Geert Hofstede, Gert Jan Hofstede (1991).

Investment is the real driver of the transatlantic relationship contributing to jobs and growth on both sides of the Atlantic. Despite recent economic challenges the United States consistently directs its foreign direct investment (FDI) each year toward the European Union. And the EU's FDI in the USA continually increases too. Many millions of jobs are linked to the transatlantic economy.

The **aim** of the research project is to evaluate the economic aspects and cultural dimension on USA investments to the selected EU member states.

In order to achieve the aim, the following **tasks** have to be completed:

1. to highlight the impact of investment for the development of state's economy from the theoretical perspective;
2. to identify the specificity of EU investment policy with USA;

3. to make the research in order to classify economic investment fields and cultural aspects in the selected EU member states;
4. to generalize the main investment trends in selected EU member states.

The **object** of the research is USA investment partnership with the EU.

The **problem** examined in the research paper – how economic and cultural aspects impacts investment from US to selected EU member states.

Research **methods** used in this individual work:

1. the systematic overview of the history about the relations between EU and USA;
2. the descriptive method of the current investment situation between EU and USA, its challenges, issues and trends.

The paper consists of an introduction, the body, conclusions and a list of references. The body is subdivided into the following parts: theoretical background and analysis.

This particular research project consists of summary in Lithuanian and English, introduction, four main sections, results, conclusions, references and annexes. The main parts of the research are theoretical and analytical.

The first part is theoretical and it begins with the evaluation of foreign direct investment for the development of the country, later it emphasizes theoretical dimensions of state's economic and cultural environment.

The second part identifies TTIP role and specificity of development in bilateral USA-EU relations, later examines agreements and legal basis affecting exports from USA to EU. The third part is research and it substantiates research methodology, classifies and investigates the main USA-EU investment trends, later examines cultural aspects and their relation to investment from USA to EU. The fourth part generalizes the main aspects of investment trends from USA to EU. After the analytical part is finished, conclusions are provided according to the investigation of US-EU investment partnership.

# **1. THEORETICAL APPROACH OF THE FEATURES OF EUROPEAN UNION AND USA ECONOMIC AND CULTURAL RELATIONS**

Relations between the European Union (EU) and the United States of America (US) are based very much on historic ties, notably emigration from Europe to America and – following the Second World War – US support for reconstruction and security in Europe under the Marshall Plan. In addition, each region is the other's main trading and investment partner. In order to analyse the current relations of two continents, it is very important to understand the history of the partnership, because it will help understand how it changes over the years.

## **1.1. Evaluation of foreign Direct Investment for the development of the country's economy**

After the Second World War the partnership between European countries and the United States (US) was the most important relationship in world politics. In as much as international institutions are the focal points of global order, the powers that shaped and maintained these institutions also acted as the main agents of global governance (Dinan 2005, Manners 2002). The US and its European allies representing the “West” were the main force behind the international financial order, the free trade system and the collective security order.

According to Federal Ministry for Economic Cooperation and Development (2009:9) explaining that “foreign investment involves a lasting interest in effective management control over an enterprise and it can include buying shares of an enterprise in another country, reinvesting earnings of a foreign owned enterprise in the country where it is located, and parent firms extending loans to their foreign affiliates”. Another definition is provided by Deutsche bank (2014), where foreign direct investment (FDI) is defined as a business investment aiming at a long-term relationship, and reflecting a lasting interest and (partial) control by an entity resident in one economy (foreign direct investor or parent enterprise) in an enterprise resident in another economy (FDI enterprise or foreign affiliate)”. According to Federal Ministry for Economic Cooperation and Development (2009:9) explaining that “foreign investment involves a lasting interest in effective management control over an enterprise and it can include buying shares of an enterprise in another country, reinvesting earnings of a foreign owned enterprise in the country where it is located, and parent firms extending loans to their foreign affiliates”. FDI statistics include both the initial investment and all subsequent investment by the parent enterprise, which can be either in the form of equity capital, reinvested earnings or intra-company loans. Generally, there are two main types of FDI: a greenfield investment is the establishment of an entirely new firm in a foreign country, including new production facilities. When a form of a joint venture with a local company occurs, this can also occur. Deutsche bank (ibid.) states that alternatively, direct investments can occur via mergers and acquisitions (M&A), the complete or partial purchase of an existing firm in a foreign country. The acquisition of company shares is regarded

as FDI as soon as it exceeds 10% (according to the definitions used by Eurostat, the OECD and UNCTAD).

There are various motives for companies to engage in FDI. Deutsche bank (2014) explains market-seeking as investing in a host country in order to serve the market directly rather than through exporting. What is more, determinants for the attractiveness of a host country for market-seeking FDI include market size, expected demand growth, and whether it provides access to both regional and global markets. Deutsche bank (2014) explains resource-seeking as companies which rely heavily on natural resources such as oil, gas, minerals and other raw materials can gain cheaper and more reliable access to these inputs by establishing or acquiring firms in resource-rich locations. The authors (ibid.) provides information about strategic asset-seeking which means an access to advanced technologies, skills and other highly developed productive capabilities can be secured by making investments in locations with a high quality of scientific and technological infrastructure and a high availability of skilled labour. According to Deutsche bank (2014), efficiency-seeking can be described as a process when companies allocate different parts of their production chain to different countries in order to exploit specialisation advantages across the value chain (product specialisation) and along the value chain (process specialisation). Differences in labour costs, the quality of the local industrial infrastructure and the availability of suppliers create potential for efficiency gains by means of “vertical” FDI.

For any company looking to locate or relocate within Europe many different factors may be relevant to the decision of which country to choose. Depending on the nature of the business and the proposed project, an investor will no doubt give different weight to different factors. Deutsche bank (ibid.) states that a project manager will no doubt be considering a number of possible real estate sites within several countries, be they sites advertised by the relevant countries or sites identified through their own sources. For example, if the project will lead to a high turnover of bulky products it may be crucial for the factory to be situated near good transport facilities, whereas the choice of a site for a project involving research and development or service industries may depend much more on the availability of skilled labour locally. Many high-volume projects, e.g. dealing with steel, will require the site to include a railway siding with access to high-speed rail corridors. From a country point of view, low labour costs and low tax rates may be crucial. Authors (ibid.) agree that with regard to incentives being offered, many investors consider incentives a non-crucial factor, whereas in other projects their availability may directly tip the balance in one country’s favour. Clearly, the list of factors to consider will vary widely depending on the requirements of the project and of the investor.

The United Nations, the General Agreement on Tariffs and Trade (GATT) regime, and the Bretton Woods system comprising the International Monetary Fund (IMF) and the World Bank, all have roots in the ‘West’, and the ‘West’ achieved through them a leadership status which the Soviet-

led Communist bloc was never able to match fully (Keohane 2002). It is within this framework of global governance that the possible impact of the European integration process on transatlantic relations needs to be assessed.

Particularly important here is whether the EU has exercised any form of leadership in its relations with the US and in fostering international cooperation (Manners 2010). While doing so, one might reflect upon the declaration of European Commission President, José Manuel Barroso, that: “Europe needs the US and the US needs Europe. When we speak with a common voice, no challenge is too great. When we speak with a common voice, we are truly an indispensable partnership” (European Commission 2006). One of the fields of USA and EU cooperation is investment to each other’s economy. This particular research project concentrates on USA investment to EU.

Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment. Countries have liberalised their FDI regimes and pursued other policies to attract investment. They have addressed the issue of how best to pursue domestic policies to maximise the benefits of foreign presence in the domestic economy.

Foreign Direct Investment (FDI) is thought to be one of the main factors for economic growth. Due to this factor many various studies have been performed to examine FDI’s impact on the country's economic development. Many scientists found out that FDI has a positive impact on economic growth in the country receiving investment. The positive effect might be name as promotion of new jobs, increase of the local country's capital, introduction of new technologies and technical experience. As Kuliaviene and Solnyskiniene (2014:16) state, “foreign companies transfer modern management, production management, technology - engineering solutions, organizational management experience while implementing in the local market of the country”. This helps to develop manufacturing productivity in the certain country, region or business. As the authors (ibid.) state, “direct investments are those investments which form the basis for long-term economic relations and interests between a foreign investor and the direct investment enterprise”. One of the main indicators of economic growth might be gross domestic product (GDP). According to Kuliaviene and Solnyskiniene (2014:17), it is often argued that in order to reduce the gap from the economically developed countries and to ensure the growth of economic indicators, the higher FDI growth rate is needed. Authors (ibid.) also mention that “Foreign Direct Investments are generally considered to be one of the most significant factors leading the rapid and continuous development of the country and increasing the country's productivity”. Busse and Groizard (2006) explains that the countries which economies are heavily regulated by the state, do not suffer, or suffer just a few Foreign Direct Investment benefits for the country. The authors state that the countries receiving investment become more competitive when lets a foreign competitor to enter the market. Then competition becomes even higher and everyone wants

to maintain a leading position. Nowadays new technologies are extremely important for every company. When companies begin competition, then they try to improve their technological knowledge and this leads to the growth of country's level in technologies. What is more unemployment rate is reduced when investors from other countries enter local market and thus domestic consumption is increased. Due to this reason GDP grows automatically. Busse and Groizard (2006) emphasize that if the labour market were heavily regulated as the financial system, foreign direct investment wouldn't lead a positive impact on the country's economy life. According to Blomstrom and Kokko (2003), "foreign direct investment in various sectors of the national economy work differently". The authors (ibid) add that the greatest profit is created in the services and industrial sectors, while the lowest benefit – in the primary production sectors, for example, agriculture which is quite specific branch of country's economy related with a long-term process of reproduction in slow circulation of capital where is required relatively higher capital (both fixed and working) investments, and their payback is longer than in other industries.

The ability of investment receiving country to use FDI for the purpose to increase exports is very controversial. According to Blomstrom and Kokko (2003), the clearest examples of FDI boosting exports are found where inward investment helps host countries that had been financially constrained make use either of their resource endowment (e.g. foreign investment in mineral extraction) or their geographical location (e.g. investment in some transition economies).

FDI does not create benefits automatically and the scope of the benefits is different due to the country which receives investment. The examination of the authors' publications helped to find out that the factors that hold back the full benefits of FDI in some developing countries include the level of general education and health, the technological level of host-country enterprises, insufficient openness to trade, weak competition and inadequate regulatory frameworks.

## **1.2. Theoretical dimensions of state's economic and cultural environment**

Economic globalization is one of the most powerful forces that changed and shaped the post-war world. In particular, over the last fifty years international trade in goods and services has become increasingly important. Economic globalization is happening due to increasing interdependence of world economies. This means that there is an essential growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies. According to Shangquan (2000:1), it reflects the continuing expansion and mutual integration of market frontiers, and is an irreversible trend for the economic development in the whole world at the turn of the millennium. The rapid growing significance of information in all types of productive activities and marketization are the two major driving forces for economic globalization. The author (ibid) explains this as the fast globalization of the world's economies in recent years is largely based

on the rapid development of science and technologies, has resulted from the environment in which market economic system has been fast spreading throughout the world, and has developed on the basis of increasing cross-border division of labour that has been penetrating down to the level of production chains within enterprises of different countries.

Globalization in the financial sector has become such aspect of globalization which was developing extremely rapidly. As Shangquan (2000:2) states, international finance came into being to serve the needs of international trade and investment activities. However, due to the fact that economic globalization was developing, international finance became even more and more independent. The author (ibid) also states that compared with commodity and labour markets, the financial market is the only one that has realized globalization in the true sense of 'globalization'. Industries of all the countries also had a lot of changes because of development in science and technology. According to Shangquan (2000:2), in recent years developed countries in the west are gradually entering the era of knowledge economy and have started to shift to developing countries many labour-intensive industries of weak international competitiveness. Economic globalization increased the level of competition internationally among various small, medium-sized and big enterprises from different countries. Domestic and foreign enterprises merged with each other in order to strengthen their positions and become more competitive in the international markets. Due to this reason industries have been restructured. Author (ibid) states that the participation of developing countries in the globalization process can enable them to better utilize their comparative advantages, introduce advanced technologies, foreign capital and management experience. It is also favourable for eliminating monopolistic behaviours and strengthening market competition. Shangquan (2000:2) states that in order to prevent and dissolve the risks brought along by economic globalization to developing countries, international economic organizations should play a bigger role in the process of economic globalization. What is more, interests of developing countries should be guaranteed and their strong voice should be heard in the process of developing a new international economic order.

Every culture is very specific and different from others. Some of the cultures might be similar but not identical. It is also very important how one culture is seen by another culture. There are lots of concepts of culture that are defined by different theorists. Hoebel and Frost (1976:6) state that "culture is an integrated system of learnt behaviour patterns that are characteristic of the members of any given society. Culture refers to the total way of life of particular groups of people. It includes everything that a group of people thinks, says, does and makes – its systems of attitudes and feelings. Culture is learned and transmitted from generation to generation". According to Peterson (2004:17), "culture is a relatively stable set of inner values and beliefs generally held by groups of people in countries or regions and the noticeable impact of those values and beliefs have on the peoples' outward behaviours and environment". Peterson and Hoebel and Frost agree that culture is related to the group of people.

Another important thing in cross-cultural communication is cultural intelligence. Peterson (2004:89) describes cultural intelligence as “the ability to engage in a set of behaviours that uses skills (e.g., language or interpersonal skills) and qualities (e.g., tolerance for ambiguity, flexibility) that are tuned appropriately to the culture-based values and attitudes of the people with whom one interacts”. Tipton states that “Cultural intelligence requires knowledge about specific cultures, an awareness of yourself on this point, and the specific skills and behaviours to act effectively”. A person from another culture is a human being like all other people that have feelings and emotions. The most important task in cross-cultural communication is to understand how other culture impacts those feelings and emotions along with your own feelings and emotions.

Joseph (2004:81) states that identity which is expressed through language and communication is enacted identity. The scholar also adds that this identity explains “how we are seen by others“ (ibid. 81). Hofstede (cited in Lewis, 2006:17) defines culture as “the collective programming of the mind that distinguishes the members of one category of people from another”. There are some models and dimensions that help to find differences between the cultures and compare them. Three of the models were analysed in a greater detail – Dimensions by Hofstede, The Lewis Model and the Model by Brooks Peterson.

Hofstede separates 6 dimensions of national cultures: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, indulgence. The first dimension provided by Hofstede is **power distance**. According to Hofstede (1991:5), power distance “can be defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally”. In many European countries there is hierarchy in the work and in the society.

The second dimension of the culture is defined as **individualism** versus **collectivism**. Hofstede (1991:5) states that individualism is related to the societies in which the relation between individuals is not close because everyone looks after himself or herself and their family.

Collectivism is related to societies in which people are integrated into groups (Hofstede, 1991:5). Cultures with a high power distance are more collectivistic and cultures with low power distance are more individualistic. Like in most of the countries, the countryside is more collectivist than the city.

The third dimension offered by Hofstede is **masculinity**. According to Hofstede (1991:5), “masculinity pertains to societies in which social gender roles are clearly distinct (i.e., men are supposed to be assertive, tough, and focused on material success whereas women are supposed to be more modest, tender, and concerned with the quality of life”. Most of Europeans are tolerant to other cultures. This is due to their experience living with others nationalities.



Another cultural dimension is called **uncertainty avoidance**. Hofstede (1991:5) states that uncertainty avoidance “can be defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations and try to avoid such situations”.

Hofstede provides one more cultural dimension which is called **long term orientation**. As Hofstede (cited in Park and Lemaire, 2011:7) states, “in countries displaying long-term orientation, principles related to the respect of tradition and family values, honouring parents and ancestors and providing them financial support are very important”. Short-term oriented countries emphasize consistency and revenue.

The last Hofstede’s cultural dimension is called **indulgence**. According to Hofstede (ibid. 7), this dimension is a degree to which people try to control their desires based on the way they were raised. Relatively weak control is called “indulgence” and relatively strong control is called “restraint”.

According to Hofstede (ibid. 7), “some European cultures are restrained and compared to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires”.

The Lewis Model classifies cultures into three categories:

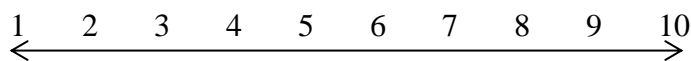
- 1) Multi-active;
- 2) Linear-active;
- 3) Reactive.

According to Lewis (2006:33), people from **Multi-active** cultures are extrovert, impatient, talkative, inquisitive, gregarious, they plan grand outline only, do several things at once, works any hours and are not punctual”. Lewis (2006:34) also adds that in multi-active cultures timetable is “unpredictable, people let one project influence another, change plans, juggle facts, get first-hand information, are people-oriented, emotional, get around all departments, pull strings, seek favours, delegate to relations, complete human transactions, interrelate everything, talk for hours, rarely write memos, seek out key person, have ready excuses, confront emotionally, have unrestricted body language, interrupt frequently, interweave social/professional.

Lewis (2006:34) states that people from **Linear-active** cultures are introvert, patient, quiet, mind own business, like privacy, plan ahead methodically, do one thing at a time, work fixed hours, are punctual, dominated by timetables and schedules, compartmentalize projects, stick to plans and facts, get information from statistics, reference books, database, internet, are job-oriented, unemotional, work within department, follow correct procedures, accept favours reluctantly, delegate to competent colleagues, complete action chains, like fixed agendas, are brief on telephone, use memoranda, respect officialdom, dislike losing face, confront with logic, have limited body language, rarely interrupt, separate social/professional.

Lewis (2006:34) describes people of third category (**Reactive**) of cultures as introvert, patient, silent, respectful, good listener, they look at general principles, react, work flexible hours, are punctual, react to partner's timetable, see whole picture, make slight changes, statements are promises for them, use both first-hand and researched information, are people-oriented, quietly caring, consider all departments, protect face of other, delegate to reliable people, react to partner, are thoughtful, summarize well, plan slowly, are ultra-honest, must not lose face, avoid confrontation, have subtle body language, do not interrupt, connect social and professional.

Peterson's scale of differences is a basic tool to describe how other cultures differ from our own culture. The scale is divided into 5 different categories that are evaluated on a scale from 1 to 10.



Each scale of the categories looks like the scale above. Five scales are divided into:

- 1) Equality and hierarchy;
- 2) Direct and indirect;
- 3) Individual and group;
- 4) Task and relationship;
- 5) Risk and caution.

In the first scale, a style based on **equality** means that people prefer to be self-direct, to have flexibility in the roles they play in a company or in a team, have the freedom to challenge the opinion of those in power, make exceptions, be flexible, and maybe bend the rules, treat men and women in basically the same way. A style based on **hierarchy** means that people prefer to take direction from those above, have strong limitations about appropriate behaviour for certain roles, respect and not challenge the opinions of those in power because of their status and their position, enforce regulations and guidelines, expect men and woman to behave differently and to be treated differently. To sum up, equality means the style where employees are granted the power to take initiative even if they do not have a position or title after their name; and hierarchy means the style where the manager is expected to take control and make the decisions (Peterson, 2004:37).

In the second scale, a **direct** style means that people prefer to be more direct in speaking and be less concerned about how something is said, openly confront issues or difficulties, communicate concerns straightforwardly, engage in conflict when necessary, express views or opinions in a frank manner, and say things clearly, not leaving much open to interpretation. An **indirect** style means that people prefer to focus not just on what is said but on how it is said, discreetly avoid difficult or contentious issues, express concerns tactfully, avoid conflict if at all possible, express views or opinions diplomatically, and count on the listener to interpret meaning (Peterson, 2004:40).

In the third scale, an **individual** style means that people prefer to take individual initiative, use personal guidelines in personal situations, focus on themselves, judge people based on individuals traits, make decisions individually, put individuals before team, be nonconformists when necessary, and move in and out of groups as needed or desired. A **group** style means that people prefer to act cooperatively and establish group goals, standardize guidelines, make loyalty to friends a high priority, determine their identity through group affiliation, make decisions as a group, put team or group ahead before the individual, conform to social norms, and keep group membership for life (Peterson, 2004:46).

In another scale, a **task** style means that people prefer to define people based on what they do, move straight to business—relationships come later, keep most relationships with co-workers impersonal, sacrifice leisure time and time with family in favour of work, get to know co-workers and colleagues quickly but usually superficially, use largely impersonal selection criteria in hiring, and allow work to overlap with personal time. A **relationship** style means that people prefer to define people based on who they are, establish comfortable relationships and a sense of mutual trust before getting down to business, have personal relationships with co-workers, sacrifice work in favour of leisure time and time with family, get to know co-workers and colleagues slowly and in depth, use largely personal selection criteria (such as family connections) when hiring, and not allow work to impinge on personal life (Peterson, 2004:52).

In the last scale, a **risk** style means that people prefer to make decisions quickly with little information, focus on present and future, be less cautious—in a “ready, fire, aim” way, change quickly without fear of risks, try new and innovative ways of doing things, use new methods for solving problems, have fewer rules, regulations, guidelines, and directions, and be comfortable changing plans at the last minute. A **caution** style means that people prefer to collect considerable information before making a decision, focus on the past, be more cautious—in a “ready, aim, aim, fire” way, change slowly and avoid risks, want more rules, regulations, guidelines, and directions refer to past precedents of what works and what doesn’t, stick to proven methods for solving problems, and not change plans at the last minute (Peterson, 2004:52).

*The development of the world is extremely fast. Globalization touches every sphere and technologies, science or economy are the areas that are developing every year. Trade of goods and services covers extremely high costs in the world. In the near future the situation of economy and investments will be changing too. Cultural differences between the countries are a huge contributor to globalization and changes in the world. Due to this reason it is very important to know foreign cultures. Several ways to analyse different cultures exist and it is up to analyst which model to use while analysing and comparing the differences of the cultures. All the examined methods are quite different because different scholars have different opinions about the analysis of the cultures.*

*However, despite which model is used, the analysis would be comprehensive. It depends on the person which method or model he wants to use while analysing the cultures. But one is clear that cultural analysis is not an easy task and it requires experience in communication with the other cultures in order to make the analysis as much accurate as possible.*

### **1.3. Theoretical background on USA and EU political relations**

The European Union and the US enjoy close political ties. Regular consultations take place at government level. At societal level, contacts and dialogue are promoted by a wide range of individuals, groups and associations. The US and the EU are also the two most closely linked political and economic regions in the world. The European Union and the United States of America established diplomatic relations as early as 1953, but it was only in November 1990 that the cooperation was formalised for the first time with the Transatlantic Declaration.

Transatlantic declaration set the goals for the United States of America and the European Community and its Member States. Some of the main reasons strengthening partnership occurred in order to support democracy, the rule of law and respect for human rights and individual liberty, and promote prosperity and social progress world-wide, safeguard peace and promote international security, by cooperating with other nations against aggression and coercion, by contributing to the settlement of conflicts in the world and by reinforcing the role of the United Nations and other international organisations.

EU-US relations are fundamentally cooperative. According to Korteweg (2013), various areas of cooperation can be named such as joint approaches to the Eastern bloc, cooperation on issues like human rights and terrorism. While talking about the security issue the institutional pillars of the Euro-Atlantic community, NATO and the EU, have proven successful in promoting prosperity and security in Europe. The USA Congress and successive USA Administrations have strongly supported both institutions as means to foster democratic states, reliable military allies, and strong trading partners. While strong bilateral relationships between the United States and individual European countries remain a vital foundation for transatlantic relations, the relationship between the United States and the EU has been taking on a growing significance.

The EU has become an increasingly important companion for the United States because its 28 member countries now take common decisions and formulate common policies in a wide range of areas including many economic and social issues and a growing number of law enforcement and judicial matters at the level of the EU institutions. NATO remains the preeminent security institution of the Euro-Atlantic community. The main aims of NATO could be named as the fact that European Union will ensure the fullest possible involvement of the non-EU European members of NATO within ESDP. What is more, NATO will support European Security and Defence Policy (ESDP) and give the

European Union assured access to NATO's planning capabilities. One more aim could be mentioned that both organisations will adopt arrangements to ensure the coherent, transparent and mutually reinforcing development of their common capability requirements.

Nowadays the situation in the world is quite tense. Due to this reason the EU and NATO should also collaborate to avoid conflict with Russia over the control of energy resources and shipping lanes through the Arctic region. The fact that the melting polar icecap will transform global shipping routes by cutting thousands of miles and several days of travel time off current itineraries through the Suez and Panama canals. For those reasons it is imperative for the West to prevent Russian domination in the Arctic.

Korteweg (2013) states that Russia's aggressive behaviour in eastern Ukraine and threats to destabilize other parts of Eastern Europe have infused new relevancy to NATO's role. According to Drozdiak (2015), NATO still remains much too insular and dominated by rigid military perspectives when the nature of today's threats require economic, health, and even social media considerations. In the case of Ukraine, Western countries decided early on that they were not prepared to risk a military confrontation with nuclear-armed Russia. In the absence of a military response, the United States and the European allies have invested their hopes in a set of economic sanctions to bring pressure to bear against Russia to seek a negotiated solution. The success of Western policy in Ukraine is more likely to depend on how much financial support Europe and the United States can give Kiev.

The future of NATO could also be forecasted. Drozdiak (2015) also states that "developments in Ukraine have brightened debates about the future of NATO and altered the trajectory of the USA outlook on European defence issues". This explains the fact that Russia's actions in Ukraine and its increased naval and air activities in close vicinity to the territory of numerous European countries have driven calls for NATO to return to its traditional vocation as an alliance focused on collective territorial defence. These developments have also pushed many European countries to pledge increases in defence spending and seek ways to develop needed military capabilities.

The author (*ibid.*) states that in many European countries the security outlook has distinctly shifted in line with increased perceptions of the potential threat posed by Russia. Some officials in those countries that feel most threatened, particularly Poland and the Baltic states, have called for permanent basing of US and NATO forces on their territory.

Tensions between the EU and Russia have also refocused attention on the issue of European energy security. Europe is a major importer of natural gas, and over the past decade energy security has become a major European concern in the context of rising global energy demand. According to Drozdiak (2015), the EU as a whole is dependent on Russia for about one-third of its gas imports and one-quarter of its total gas and oil supplies. These percentages are expected to grow substantially over the next 20 years. For some individual countries, dependence on Russian gas is already much greater.

The author (ibid.) adds that many USA officials and Members of Congress have regarded European energy security as a USA interest. In particular, there has been concern in the United States over the influence that Russian energy dominance could have on the ability to present a united transatlantic position when it comes to other issues related to Russia. Drozdiak (2015) explains that successive USA Administrations have encouraged EU member states to reduce energy dependence on Russia through diversification of supply and supported European steps to develop alternative sources and increase energy efficiency.

*Although diplomatic relations between EU and US are established already for more than 60 years, these two parties became especially dependent on each other. Despite the fact that USA is far from Europe, they are allies and USA has a strong word on Europe's security or energy issues. USA encourages EU to get free from Russia regarding energy issues. Big steps will be done in the near future and European Union would probably open a new page in the history becoming free from Russia. Nowadays many Europeans are also concerned about the possible effects of TTIP on issues such as data privacy and food labelling with regard to geographic protections of items such as Champagne, Black Forest ham, and Cornish pasties. In the USA the Congress is considering whether to reauthorize Trade Promotion Authority (TPA), as requested by President Obama. TPA is the time-limited authority that Congress uses to set trade negotiating objectives, establish consultation requirements, and have implementing bills for certain reciprocal trade agreements considered under expedited procedures. TPA legislation is widely, but not universally, viewed as necessary for USA passage of major reciprocal trade agreements.*

## **2. SPECIFICITY OF EUROPEAN UNION INVESTMENT POLICY WITH USA**

The lack of growth and investment in Europe is harmful to the welfare of the more than 500 million people in the EU. The global financial crisis had a huge impact on Europe and most EU countries face real problems with high unemployment, limited growth and poor investments despite huge needs. Then a trade agreement has been proposed with the aim of promoting trade and multilateral economic growth. The agreement is still under negotiations. The main spheres of negotiations are: market access; specific regulation; and broader rules and principles and modes of co-operation.

### **2.1. TTIP role in bilateral US-EU relations**

The idea of EU and ES trade agreement is not fresh. It has been already discussed by the government, businessmen and scientists. Recently economic situation in the world, the lack of the progress in bilateral negotiations in WTO and increasing influence of both sides of growing economies encouraged USA and EU to work for this idea. Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement which caused negotiations between USA and EU since June, 2013. Negotiations are held in order to abolish trade barriers (tariffs, redundant regulations, excessive documentation) in various sectors of economy and thus create more conducive conditions to buy and sell the goods and services in USA and EU. Negotiating parties also seek to facilitate the conditions of USA and EU companies while participating in each other's procurement markets, to facilitate investment environment and create new rules and standards for global trade. Trade liberalisation is consistent aim of USA and EU and is for some time developed on a global scale. TTIP agreement is especially important for EU competitiveness and the biggest part of a global market demand will be generated outside the EU.

The first discussions on trade liberalisation between USA and EU began in 1990s, but real actions were taken only in 2011 when high level working group of USA and EU representatives was created. This group provided its recommendations in the beginning of 2013. The recommendations explained that ambitious trade agreement between USA and EU would significantly contribute to economic growth and job creation.

The decision to launch USA and EU negotiations was influenced by these factors: 1) stuck multilateral negotiations in World Trade Organisation (WTO); 2) global economic crisis which negatively influenced both economies of USA and EU; 3) strengthening influence on global trade of growing economies (China, India, etc.); 4) aim to reduce mutual trade costs between USA and EU.

In 2011 USA-EU Summit High Level Working Group on Jobs and Economic Growth development was created and its main aim was to analyse the development opportunities of free trade

zones between USA and EU, to set a strategy and measures for USA and EU trade and investment. According to the report of Ministry of Foreign Affairs of the Republic of Lithuania (2015:6), these measures would help for the creation of work places, growth of economy and international competitiveness. This work group made a conclusion that comprehensive agreement which includes all the sectors would have a positive influence, because it would help to open market and would encourage creation of work places on the both sides of the Atlantic Ocean. Ministry of Foreign Affairs of the Republic of Lithuania (2015:7) states that negotiations are held in 24 fields including opening of the market, regulatory convergence and determination of new trade and investment rules. In the negotiations on TTIP agreements European Commission negotiates on behalf of EU and its 28 Member States (the EU trade commissioner together with workers and specialists working together from various Commission directorates, e.g., agriculture, public health, small and medium-sized enterprises). Ministry of Foreign Affairs of the Republic of Lithuania (ibid.) adds that European Commission representatives negotiate in accordance with negotiating directives which were unanimously approved by the EU Member States trade ministers. During the entire negotiation process the Commission consults with the Council and provides reports to the European Parliament. The Commission also extensively consults with representatives of civil society: non-governmental organisations, business organisations.

**Table 1.** Main objectives of EU-USA negotiations regarding TTIP

<b>Opening the market</b>	<b>Regulatory convergence</b>	<b>Setting the trade rules</b>
<p>In the field of market opening EU and USA seek to:</p> <ul style="list-style-type: none"> <li>• Liberalize mutual trade by eliminating tariff and non-tariff barriers;</li> <li>• Open service markets by creating better opportunities for EU and USA companies to provide their services to each other’s economy.</li> <li>• Open procurement markets, by providing access to USA and EU companies to participate in a bigger part of each other’s procurements.</li> <li>• Improve investment conditions to each other’s economy.</li> </ul>	<p>In the field of regulatory convergence negotiations are held regarding how to reduce or abolish trade problems arising due to different regulations in USA and EU by reviewing or correcting previous regulating norms and by negotiating about new regulating rules in order to minimize their differences.</p>	<p>In the field of setting the trade rules for USA and EU it is intended to prepare new rules facilitating import and export and setting global standards in the fields of sustainable development, energetics, intellectual property and other.</p>

Source: Ministry of Foreign Affairs of the Republic of Lithuania (2015:7).

As European Commission (2015:4) states, negotiations between the EU and the US on the TTIP agreement includes public sensitive issues related to the social, environmental, product safety standards and the investment protection provisions (the investor against the state dispute settlement mechanism), this means that the negotiations seek to involve all interested parties positions and



expectations and to take into account expressed concern about the contract issues. Ministry of Foreign Affairs of the Republic of Lithuania (2015:7) explains that seeking for negotiation transparency and publicity, in 2014 a decision was made to declassify TTIP negotiating mandate, and since 2015 official European Commission website published all EU negotiation documents. The public can clearly see the objects of TTIP agreement negotiations. The authors of the publication (ibid.) add that at the end of the negotiations, a final decision on the approval of the agreement on the EU side will be accepted by the EU governments and European Parliament. EU and USA examine the questions related with three main fields: opening of the market, regulatory convergence and trade rules in order to liberalize mutual trade on goods and services, to improve investment environment, set global trade standards that would be as guidelines in the trade with third countries.

In order to perform trade between USA and EU it is especially important to have the market opened. The fields for opening the market have to be highlighted in greater detail. The fields are concentrated on trade and customs procedures, service market restrictions, public procurement and rules for determining the origin of the products.

The first field for opening the market could be named as **Trade and customs procedures**. Both parties of the agreement negotiate regarding trade and customs procedures. As Ministry of Foreign Affairs of the Republic of Lithuania (2015:11) states, while in USA-EU trade the tariff average is not high (about 4%), separate product groups exist for which high tariffs are applied (for example, 16–26% tariffs for milk products). Due to the tariffs the products from EU are more expensive in USA market compared with the products made in USA. The same is in Europe where products from USA are more expensive. Long administrative procedures make trade more difficult too. These problems need solutions and negotiating parties have common position which would lead to reduction of the costs of export and import between USA and EU, i.e., would abolish most of tariffs and other trade barriers. Ministry of Foreign Affairs of the Republic of Lithuania (2015:11) states that the desired effect for both negotiating parties would be reduced expenditure of EU companies on export and the price of goods that are exported. What is more, increased competitiveness of EU goods in American market and increased mutual trade between USA and EU.

Another field for opening the market can be named as **Services**. Currently, the EU and USA service providers face a number of restrictions in the opposite market such as complex licensing conditions. In the publication of Ministry of Foreign Affairs of the Republic of Lithuania (2015:12), the objectives useful for both negotiating parties are discussed:

- 1) to improve the entrance of EU service companies to USA market and vice versa by ensuring that USA and EU will be equal challengers in both USA and EU market. It is extremely important that competition between USA and EU in each other's market would be fair;

2) to protect the rights of EU governments to provide their public services in a way which is the fairest for themselves;

3) to reduce or eliminate restrictions of shares held by EU companies in USA or held by USA companies in the EU;

4) to facilitate licensing and recognition of licenses and other services requiring formal recognition (audit, consulting, legal services);

5) to encourage the mobility of specialists (such as architects) by recognising their qualification and facilitating border crossing procedures more easily.

According to Ministry of Foreign Affairs of the Republic of Lithuania (2015:12), the desired effect of opening the market for services would help to create more available export of services and bigger competitiveness of USA or EU companies by ensuring sensitive protection of a service sector (such as television, radio, cinema, education, health, social services and water supply).

One more field for opening the market could be named as **Procurement**. USA and EU are continuously negotiation for opening the market for procurement. According to Ministry of Foreign Affairs of the Republic of Lithuania (2015:11), the purchase markets of USA and EU are the biggest in the world. Currently EU does not apply any restrictions for other countries to participate in procurement procedures, while USA restricts the participation of foreign companies by setting a requirement called “Buy American“. This means that in accordance with procurement contract, the origin of the offered goods have to be American, participating company has also to be American company, and etc.

The authors of the publication (2015:11) provide the objectives that USA and EU seeks:

1) to reach an agreement on the equal rights for USA and EU companies in order to participate in each other’s procurement procedures;

2) to agree on the rules ensuring transparency in relation to the conditions of participation in USA and EU procurement;

3) to ensure the best conditions for EU companies in order to participate in USA procurement (federal, sub-federal, sub-central and central).

The publication (ibid.) provides the desired effect of negotiations regarding procurement for opening the market and it means that bigger part of USA procurement contracts for EU companies and equal competitive conditions for USA and EU in each other’s procurement.

Another field for opening the market discussed in the publication is **Rules of origin**. USA and EU seek to ensure that the advantages of TTIP agreement would be used only by producers from the countries participating in the agreement. Ministry of Foreign Affairs of the Republic of Lithuania (2015:12) provides objectives for the negotiations:

1) agreement seeks to create simple, easily understandable rules for origin recognition and these rules ensure that the product was produced in the country which signed the agreement, i.e., USA or EU. It is important due to the fact that many different products might be produced outside the EU or USA, but the rules for recognising the origin would help to stop these problems.

2) to set the rules of origin which would take into account the tendencies of production and would encourage innovations;

3) to ensure an effective application of the rules, cheating prevention and to abolish unwanted barriers.

The possible and wanted effect of these negotiations would be the creation of mutually applied way for setting the origin of the product would allow to reduce the number of bureaucratic procedures while exporting the products to USA or EU, would protect the producers from USA and EU, would encourage innovations and production.

## **2.2. Agreements and legal basis affecting exports from USA to EU**

One of the main aspects which receive considerable attention in USA-EU negotiations regarding TTIP agreement is convergence of the regulatory system in order to simplify trade conditions between USA and EU. The idea of regulatory convergence is not fresh. Only few bilateral agreements related to regulations have been signed between EU and USA so far, but the efficiency degree of their implementation and impact on mutual trade between USA and EU were different. These agreements define the rules of trade of certain products and are not implemented efficiently because they are based on legally not-binding provisions. This means that parties of the agreement undertake to make any effort to comply with the agreement, but the implementation of the provisions are not mandatory. Until now there is no such agreement between USA and EU which would cover all the rules and conditions of mutual trade of goods and services. Due to this reason, in addition to the customs duties, mutual trade between USA and EU is burdened by different technical regulations, standards, conformity assessment and certification procedures and requirements applied to separate groups of goods and services. Currently these reasons do not allow using the entire potential for mutual trade between USA and EU.

The most important USA-EU mutual agreements in a regulatory field:

- EU–US Veterinary Equivalency Agreement, 1999;
- The Mutual Recognition Agreements (MRAs) between the US and EU, 1998;
- EU–US Organic Equivalency Cooperation Arrangement, 2012.

Below an examination of USA and EU mutual agreements in a regulatory field and achieved results is provided.

In accordance with EU–US Veterinary Equivalency Agreement provides for a mechanism that speeds up and simplifies the mutual recognition process of existing EU and USA sanitary norms while mutually trading by animals and animal products. Due to this reason concrete steps are forecasted in this agreement and these steps have to be followed by both parties of the agreement whether exporting country complies with the requirements of the importing country. However, this agreement did not limit a right for both parties to have different veterinary inspection requirements and to establish a reasonable level of public health protection.

In accordance with the Mutual Recognition Agreements between the US and EU decisions have been adopted regarding telecommunications equipment, electromagnetic compatibility, electrical safety, recreational crafts, pharmaceutical products, medical devices conformity assessment procedures. In the contract there was no agreement on mutual recognition of product standards, however, certification bodies have been established that have a right to perform assessment procedures of the product prepared to export for the standards applied in the importing country. If conformity assessment body's certificate would be approved, duplication of conformity assessment procedures would be avoided (no additional assessment would be required in the importing country), time and financial costs for exporting country would be avoided too. However, concept of mutual recognition agreements has been implemented only in the fields of telecommunication equipment and recreational crafts. In other areas USA and EU agreements related to mutual recognition of conformity assessment procedures were not adopted because USA refused to recognize the EU certification bodies as equivalent to institutions in the USA.

In accordance with EU–US Organic Equivalency Cooperation Arrangement, EU agrees to recognize National ecology programme carried by the US Department of Agriculture. This programme sets ecology standards for food and agricultural products and is equivalent to EU ecology programme. This means that USA agricultural and food products recognized as ecologic will also be labelled as ecologic products. Thus, producers of ecologic products from USA and EU are no longer required to conform to double standards. In addition, reduced administrative burden for marketing of organic products in EU and USA helps to save time (no longer need for additional inspection in foreign market) and to reduce financial costs.

With regard to the Lithuanian-US relations, in the period of 1991-1998 Lithuania and USA signed several bilateral agreements in the fields of trade and investment in order to encourage mutual investment growth and to improve and strengthen the mutual trade relations:

1. investment incentive agreement between the Government of the Republic of Lithuania and the Government of the United States of America, OPIC, 1991 (lost power when Lithuania has joined to EU);

2. agreement between the Government of the Republic of Lithuania and the Government of the United States of America concerning the development of trade and investment relations, 1992 (lost power when Lithuania has joined to EU);

3. treaty between the Government of the Republic of Lithuania and the Government of the United States of America for the Encouragement and Reciprocal Protection of Investment, 1998 (still valid).

Bilateral agreement of Lithuanian and USA investment protection and promotion legally regulates bilateral investment relations. Hereby this document protects USA investment in Lithuania and Lithuanian investment in USA against illegal nationalisation, expropriation and other similar actions. The agreement also provides for possible dispute settlement procedures (investor has a right to transfer a dispute against the state to the courts and administrative institutions or to apply to International Centre for Settlement of Investment Disputes (international arbitration). What is more, the agreement legally defines other topical issues actual to investors. When Lithuania joined European Union points of the treaty have been reviewed in order to bring them into line with EU legislation.

After Lithuania's accession to the EU a bilateral agreement with the USA was maintained on mutual investment promotion and protection and this agreement ensures protection for USA investors in Lithuania and creates an attractive environment to invest in Lithuania for USA investors. Regulatory convergence is extremely important for both USA and EU in order to save time and reduce exporting costs.

International investment procedures are not as simple as it could seem. Every step is working precisely and everything might be clear for both parties. Investment procedures are based on strict regulations that are set in both parties: the one which receives investment and another which invests. The parties might be not only the USA and EU, but also countries of the EU where different regulations in every country might be applied. But in general, the main regulations of the investment in the EU are the same. There are many different fields of regulations that are principal for investment between USA and EU nowadays, i.e. regulatory convergence which is one of the key issues nowadays, technical trade barriers, food safety, animal and plant health regulations, chemical industry regulations, cosmetic product regulations, engineering industry product regulations, medical device regulations, regulations for pesticides, regulations of information and communication technologies, regulations for pharmacy, regulations for textile, regulations for vehicles. All these fields are presented in European Commission's proposals and other publications and later examined in greater detail below.

**Regulatory convergence** is important field because currently EU companies seeking to export products to USA must comply with USA regulatory norms which are different from those applied in the European Union. This complicates the export of goods and services from EU to USA. As

European Commission (2016a) state in their TTIP proposal, the objectives of such USA and EU agreement could be negotiated:

1) to reduce the costs of companies for different regulations when exporting goods and services by maintaining welfare, health, environmental and other standards in the countries;

2) to encourage USA and EU exchange relevant information rate changes of such requirements or regulations and to cooperate in reviewing and changing regulations;

3) to bridge the gap between regulations in order to more effectively share common objectives, for example, if the same requirements for electric cars charging network would be set, the massive use of electric cars would be more stimulated.

According to European Commission (2016a), convergence of USA and EU regulation norms and requirements would help to reduce financial and time costs when exporting to EU or from EU. It would especially help for small and medium-sized enterprises by allowing export even more and would improve competitiveness, quality of services and goods. Then regulatory convergence of technical trade barriers is overviewed and different fields of industry regulation, its convergence aims and expectations are discussed.

USA and EU are negotiating on various regulations while preparing them for TTIP. One of them is **technical trade barriers**. In European Commission's (2016b) textual proposal in TTIP context of negotiations, objectives and desired effect could be found and while technical requirements in EU and USA for the products are quite similar, regulations of these requirements, testing procedures and certifications are different. These differences are called technical trade barriers. Technical trade barriers such as different regulations for certain products (for example toys) and procedures for testing the compliance of technical requirements makes trade more complex and creates additional costs for the companies while exporting their products. European Commission (2016b) also provides objectives for this regulation in TTIP and these regulations could be beneficial for both parties:

1) TTIP agreements seeks to converge the verifying and testing requirements of products and technical requirements, for example, to promote the usage of international standards, such as ISO;

2) to facilitate availability of the information about regulations and standards applied to products;

3) to enlarge the transparency of USA Standard system.

This means that in the best scenario EU and USA cooperation in product technical regulation convergence would allow abolishing or reducing EU and USA product testing procedures that are duplicated and would facilitate export possibilities for the products from USA or EU.

One more legal challenge that occurs in the trade between USA and EU is **food safety and animal and plant health (SPS – sanitary and phytosanitary measures) regulations**. Both parties negotiate and try to find the best decisions in order to avoid duplication of testing procedures and

provide smooth supply of products. As European Commission (2016c) states, currently the EU and US requirements for food safety and animal and plant health are similar, but certain terms used to satisfy the requirements for the EU and the United States are treated differently. This leads to additional procedures of testing and inspection while exporting the products from EU or from USA. European Commission (2016c) also provides the objectives which should be realised in the TTIP agreement and these are important for both parties:

1) agreement seeks to forecast further cooperation of EU and USA in the field of sanitary and phytosanitary regulations while trying to avoid duplication of testing and inspection procedures and at the same time reduce time costs incurred in US or EU import procedures;

2) to shorten the duration of inspection for food import;

3) to save EU high standards for food quality;

4) to unify verification procedures applied for different EU countries.

The positive outcome of this regulation in TTIP would be beneficial for both USA and EU. Agreement should help to avoid additional testing procedures while exporting products from EU or USA, as well as would ensure smooth, efficient and quick supply of products from EU or from USA, would improve export of food products.

Another legal challenges arising between USA and EU are **regulations for chemical industry**. Both USA and EU are negotiating because currently in the chemical industry of EU and USA requirements for the classification of chemical materials and product marking are different. What is more, there is a lack of cooperation on exchange of technical and scientific information and on setting regulations for chemical products. As European Commission (2016d) states, negotiation objectives for both parties are mutual and the same:

1) to create a better regulation setting institutional mechanisms for cooperation;

2) to bridge the gap between the rules regulating chemical industry in USA and EU and to use international standards more actively;

3) to exchange information on new and potential scientific problems.

The desired outcome of these negotiations for TTIP regarding chemical industry could be convergence of the rules regulating chemical industry would facilitate export of chemical products from USA or from EU and would reduce time and financial costs (European Commission, 2016d).

Safety is one of the most important issues in all spheres of cooperation in the world. **Regulations for cosmetic products** are not an exception. As European Commission (2016) states in their proposal for an annex on medical devices, the EU and USA currently have different product regulation systems, but they also seek convergence of regulations in order to make safer and reliable products reach the market. Both USA and EU seeks the following objectives:

1) to promote scientific cooperation in cosmetic safety research;

2) to work together in order to find alternatives for cosmetic testing on animals and to promote refusing this practice in the world;

3) to promote technical cooperation with USA on UV filter standards applied in the EU.

European Commission (2016e) makes a conclusion from the mentioned objectives and explains the possible outcome of the negotiations meaning that regulatory convergence in the field of cosmetics will encourage more active USA-EU trade in cosmetic products and will create conditions to more effectively bring new and safe products into the market.

Another legal challenges arising between USA and EU are **engineering industry product regulations**. According to European Commission (2016e), while engineering products such as refrigerators, mobile phones, boats, tractors and others accounts for 25 % of all trade between USA and EU, different technical regulations, standards and testing procedures are applied in both sides and this makes export and import more difficult.

Both USA and EU have common goals for negotiation for TTIP agreement:

1) the aim is to bring together technical testing regulations in EU and USA;

2) to promote more active use of international standards such as ISO, IEC;

3) to reduce costs of EU companies due to production testing on compliance with the USA standards;

4) to encourage cooperation of the institutions setting regulations for USA and EU by converging standards, regulations and eliminating unnecessary barriers.

According to European Commission (2016e), both USA and EU seek to achieve bridging the gap between technical requirements and testing procedures, there would no longer be double compliance evaluation procedures in EU and USA, i.e. the product rated as high quality and meets the requirements of both EU and USA would be rated as high quality in another country, without any additional procedures. This would allow to reduce costs related to export and would encourage trade.

Another field of regulations might be **regulations for medical devices**. According to European Commission (2016f), currently different requirements exist in USA and EU for medical devices (scanners, X-ray machines, pacemakers and etc.), that is why new devices have to be tested several times. Equipment manufacturing companies experience additional costs and new devices become accessible to user later. Negotiations are in action and several objectives might be enumerated regarding regulations for medical devices:

1) the aim is to harmonize EU and USA requirements for medical devices;

2) to harmonize recognition procedures for new medical devices;

3) to begin application of joint and unique international device identification system between USA and EU.



According to European Commission (2016f), the possible resolution of this regulation could be the fact that agreement would let to avoid additional testing procedures in USA and EU, would simplify confirmation procedures for new medical devices, and would reduce time and financial costs for export procedures. What is more, TTIP would contribute to ensuring higher safety standards, better accessibility of medical devices for users and more effective device monitoring.

Regulators from the EU, the US and other countries already discuss pesticides together. Both the EU and USA play an active part by **regulating the pesticides**. Both USA and EU are actively involved in international organisations discussing issues related to the questions about pesticides. But their mutual trade of food products and drinks is still constrained by the procedures determining pesticide residues in products. As European Commission (2016g) states, it is also aimed to promote a trade of certain herbs (parsley, leeks, celery, salad) and during their growth the use of pesticides is not allowed in the absence of established standards for safe use of pesticides in growing such plants.

Both USA and EU have common goals for negotiation for TTIP agreement. European Commission (2016g) enumerates some objectives which might be applied for both USA and EU:

1) this agreement seeks to promote cooperation of USA and EU in the field of pesticide regulation. Both parties want to look at make it easier to export food and drink products;

2) the aim is that product inspection, norms of pesticide residues and evaluation of compliance for opposite market would be made in exporting country before loading of products for export. EU or USA regulators would tell their counterparts in the opposite country if the product met EU or USA standards for pesticide levels;

3) it is also important to promote the exchange of information on existing or planned studies on the safe amount of pesticides on niche crops. This is needed due to the fact that many different and new kinds of pesticides come into the market every year. Different kinds of pesticides have different effect and it is extremely important to perform studies about the amount of pesticides which can be found on niche crops.

The possible resolution of this regulation could be the fact that in the agreement with the USA regarding procedure for determining pesticide quantity in food products, additional testing procedures would be avoided and customs would not stop import of the products. What is more, determination of allowed quantity of pesticides would promote bilateral trade of such kind of products between USA and EU.

**Regulations of information and communication technologies (ICT)** are other legal barriers related to technology certification between USA and EU. Currently in USA and EU the principles of product certification in information regulations on technologies sector are different and there is a lack of cooperation in the field of regulation in this sector. European Commission (2015) provides negotiation position and objectives which would be beneficial for both USA and EU:

- 1) promotion of cooperation in the fields of IRT regulation and consumer protection;
- 2) bridging the gap between certificate procedures of IRT sector. This causes many unnecessary time and financial costs for both USA and EU;

- 3) setting common e-labelling (information about the product in electronic format), e-access (facilitating the use of products for people with disabilities) standards. As European Commission states (2015:8), this would guarantee a high level of consumer protection and contribute to avoiding unnecessary differences in our rules. Such cooperation could put the EU and the US at the forefront when developing global standards in these innovative areas. The possible resolution of this regulation could be the fact that cooperation will improve regulation of IRT products and services and will help to save the consumers. It is also expected that both USA and EU companies will be able to export their products more simple, export costs will be reduced.

Other legal challenges arising between USA and EU are **regulations of pharmacy**. According to European Commission (2016h), the negotiation context is an important step because USA and EU already cooperate in the field of norms convergence of pharmacy product quality and safety, there are still differences forming barriers for mutual trade and these barriers occur due to activity testing of the companies producing pharmacy products and testing of new product before placing them on the market. What is more, European Commission (2016h) has its own position and objectives that might be improved and agreed on during negotiations with USA. The objectives might be named as these numerated below:

- 1) the agreement aims to boost USA and EU cooperation regarding product inspection (testing if production complies with the standards and requirements);

- 2) setting a common procedure for product approval before they enter the market and it would help companies to avoid additional checking for the same product before placing it in the USA and EU market;

- 3) seeking for closer cooperation in the fields of new product regulations;

- 4) the aim is to promote scientific cooperation and exchange of information (for example, about the clinical testing results).

After mentioned objectives comes the main effect which is desired to happen and this means that the agreement should help to reduce time and financial costs incurred during mutual trade of pharmacy products and should ensure that only the products compliant to strict quality and safety requirements would be able to participate in the trade. Nowadays quality and safety are the most important factors making impact on pharmacy sector because everyone wants to be treated only by high quality and safe pharmaceuticals.

Despite previously mentioned legal challenges, **regulations of textile** are also one of the issues which make trade between USA and EU more difficult. As European Commission (2016i) states in

the paper about their position on textiles and clothing, currently USA and EU applies different labelling requirements for textile products, there are differences in application of product safety standards, testing procedures, identifying the links of origin. This means that exports to EU or to USA take a lot of unnecessary time and costs. The parties need negotiations that would help to reach common objectives regarding regulations of textile. European Commission (2016i) enumerates some objectives for improvement of mutual trade:

1) collaboration by making the same labelling of textile products and clothes. This means that it would help to minimize the number of compulsory labelling requirements affixed to the products (country of origin, fibre composition, care instructions and name and address of manufacturers and/or importer);

2) collaboration by naming the new materials. It is important to approximate or align the names used to designate textile fibres on basis of ISO standards;

3) cooperation on product safety and consumer protection. Both EU and US legislation ensure a high level of consumers' protection by allowing in their markets only safe products. Special attention is given to products intended to be used by children. However, in many areas regulatory approaches and instruments to guarantee product safety diverge. As European Commission (2016) states, these divergences can lead to unnecessary costs not only at production level but also at post-production level (e.g. compliance testing);

4) cooperation in establishing common standards and testing methods. An important trade barrier between the two parties is the fact that EU and USA use different voluntary standards (e.g. test methods) to demonstrate compliance with their own technical requirements.

After mentioned objectives comes the main effect which means that mutual recognition of textile labelling and convergence of other regulation norms would allow to reduce mutual time and financial costs of trade in textile products.

Other legal challenges arising between USA and EU are **regulations of vehicles**.

Canis and Lattanzio (2014) explain negotiation context in the way discussing that safety regulations of vehicles in USA and EU are different though their ultimate goal is similar – to ensure a high level of safety in the roads. Due to relatively small differences of laws regarding vehicle safety in USA and EU both parties in mutual trade of vehicles are obliged to remake an expensive testing of vehicle safety requirements before exporting vehicles. Canis and Lattanzio (ibid.) state that both parties have common negotiation position and certain objectives which can be enumerated as follows:

1) to agree on harmonization of USA and EU technical standards. The major USA and European motor vehicle manufacturer associations have called for TTIP to provide for mutual recognition of existing technical standards and the creation of a USA-EU process for harmonization of future vehicle regulations;

2) to cooperate in creation of global safety standards for vehicles. Until the 1950s, European vehicle safety regulations developed separately in each country. Interest in harmonizing vehicle regulation emerged as part of the process of European economic integration. According to Canis and Lattanzio (2014: 9), the European vehicle regulatory regime now includes both EU directives, which must be implemented by all member states, and standards promulgated through a United Nations (UN) organization, which may be implemented at the discretion of a national government;

3) to harmonize certain standards and regulations of EU and USA, especially in the fields that are not regulated by new technologies;

4) to coordinate the plans regarding regulations and research of new scientific technologies.

After mentioned objectives comes the main effect which is desired to happen and this means that the agreement should help to make convergence of requirements and standards for vehicles in EU and USA would help to reduce time and financial costs in mutual trade of vehicles, and would also allow greater and easier marketing of vehicles on both sides of the Atlantic Ocean.

*Although these are European Union's initial thoughts for proposals for legal text on topics in TTIP, but realisation of them would help to reduce financial and time costs when exporting, would allow abolishing or reducing EU and USA product testing procedures that are duplicated and would facilitate export possibilities for the products from USA or EU. What is more, TTIP would ensure smooth, efficient and quick supply of products from EU or from USA, would improve export of food products. Regulatory convergence in the field of cosmetics will encourage more active USA-EU trade in cosmetic products and will create conditions to more effectively bring new and safe products into the market. There would no longer be double compliance evaluation procedures in EU and USA, i.e. the product rated as high quality and meets the requirements of both EU and USA would be rated as high quality in another country, without any additional procedures. The agreement would simplify confirmation procedures for new medical devices, and would reduce time and financial costs for export procedures. What is more, TTIP would contribute to ensuring higher safety standards, better accessibility of medical devices for users and more effective device monitoring. The agreement should help to reduce time and financial costs incurred during mutual trade of pharmacy products and should ensure that only the products compliant to strict quality and safety requirements would be able to participate in the trade. Mutual recognition of textile labelling and convergence of other regulation norms would allow to reduce mutual time and financial costs of trade in textile products. The agreement should help to make convergence of requirements and standards for vehicles in EU and USA would help to reduce time and financial costs in mutual trade of vehicles.*

### 3. THE RESEARCH OF THE MAIN INVESTMENT FIELDS FROM USA TO THE SELECTED EU MEMBER STATES

International trade is one of the most important issues in domestic and international politics these days. Being an element of globalization, international trade has become a contentious issue as the protests and lack of agreement in the series of WTO conferences in Seattle, Cancun and Geneva in the past decade have shown. Trade has become a critical issue largely because countries' economies are now more open to flows of imports and exports than ever. All these issues are related to economic, political and cultural aspects of relations. The chapter investigates economic aspects and cultural dimension on USA investment to the selected EU member states.

#### 3.1. Substantiation of research methodology

The methodological background is important in every research to make the research validate and objective. The systemization of the literature provided the groundwork of the application of the descriptive research method. The final project examines investment aspects from USA to selected European Union member states (see Table 2) by invoking economy and culture. The research is based on the comparative analysis of statistical data, systematic approach to analysed data and descriptive analysis of cultural differences between USA and selected EU countries.

**Table 2.** EU member states selected for investigation.

EU member states
The United Kingdom
Germany
Belgium
Lithuania

Prepared by author

The above presented countries were chosen for the research in accordance with their size as three biggest FDI receivers in EU. The fourth country has been selected due to the fact that the author of this research is Lithuanian. In this particular research project the research methodology required gathering of relevant data from different sources such as websites, books and dictionaries.

The analysis of statistical data and other material allowed gaining more complete understanding how investment flows from USA to the selected EU member states and how investment is related to cultural differences. The indicators used in the final project analysing USA investment in the selected EU member states are presented in the table 3 (see Table 3).

**Table 3.** Indicators identifying investment trends from USA to selected EU member states (prepared by author)

<b>ECONOMIC</b>
<b>Taxation</b>
1. Corporation tax
2. VAT
3. Personal income tax
<b>Living standards</b>
1. Minimum wage
2. Unemployment rate
3. GDP growth rate
4. Inflation
<b>Availability of transport infrastructure</b>
1. Roads
2. Airports
3. Railways
4. Ports
<b>The main investment fields</b>
<b>Neighbouring countries</b>
<b>CULTURE</b>
<b>Hofstede's cultural dimensions</b>
1. Power distance
2. Individualism
3. Masculinity
4. Uncertainty avoidance
5. Long-term orientation
6. Indulgence

As it can be seen from the table above, the scale of indicators that were invoked to analyse investment trends from USA to selected EU member states is of wide range in order to convey the most important aspects of investment in the selected countries. For this reason, economy and culture related indicators were invoked. The statistical data used in the final project were collected from the European Commission, Office for National Statistics, United Nations, World Bank and other statistics databases. The collected data allowed seeing a clear image of common economic situation in the

selected European Union member states. Finally, the collected data not only allowed to compare different European countries but also to evaluate the main fields to which investment flows from USA.

### 3.2. Comprehensive economic analysis of the main USA-EU investment trends

Analysis of EU-USA cooperation already has shown that the relations between big and strong continents are very useful. They are useful not only for Europe, but also for USA. These two parts of the world are very much dependent on each other taking into account several different factors that also were analysed before such as economy or politics. Despite the positive things, negative aspects could be also found in these bilateral relations.

The ability to negotiate with the US on the principle of equality is one of the central benefits of EU-US relations. It however only takes place on those issues where the EU has full competence. This is the case for trade. Since EU-US trade represents the world’s largest intercontinental commercial flow the EU’s negotiations with the US are essential to UK prosperity. This is particularly the case in light of on-going discussions over a transatlantic free trade initiative.

The aggregate size of the EU and the US is a crucially important force in global trade and development negotiations. In the WTO transatlantic co-operation on trade disputes contributes to the defence of UK business interests. There is also untapped potential. The EU and the US together are the largest providers of development aid. Since July 2013 the United States and the EU have been in the process of negotiating a Transatlantic Trade and Investment Partnership (TTIP) – a proposed “comprehensive and high standard” free trade agreement intended to boost jobs and growth on both sides of the Atlantic (Derek, 2015:14).

Reducing or eliminating remaining tariffs and non-tariff barriers to market access such as differing regulations and standards could provide a significant increase to USA and European GDP. Some opinions occur that harmonizing regulations and standards and jointly developing common rules in areas such as intellectual property rights, investment, and state-owned enterprises could allow the United States and the EU rather than other countries such as China to define global standards.

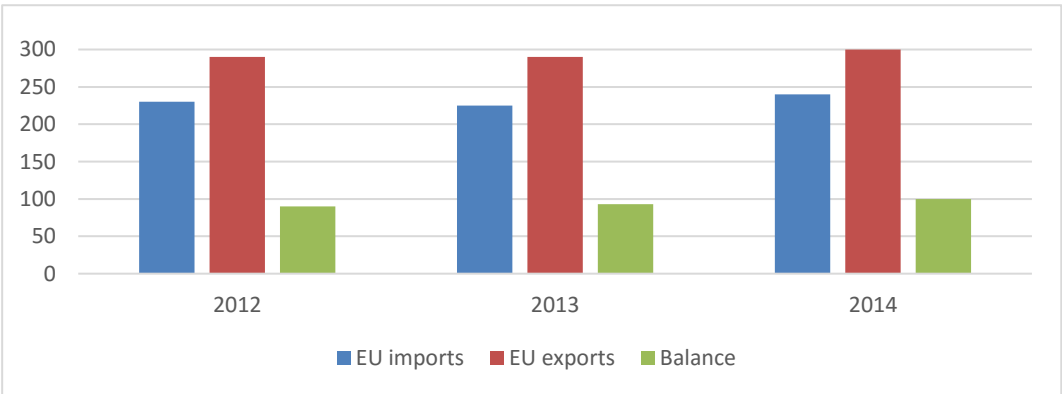


Figure 1. Trading of goods between EU and US.

Source: European Commission (2015)

Statistics can help imagine how the EU-US relations affect world trade and services. Figure 1 explores the amount of money which was spent in 2012, 2013 and 2014 in the trade of goods between EU and US.

It is clear that currently the situation is stable and it might be due to the economic crisis which Europe faced in 2009. Although the situation is not changing now, the balance increased since 2012 until 2014.

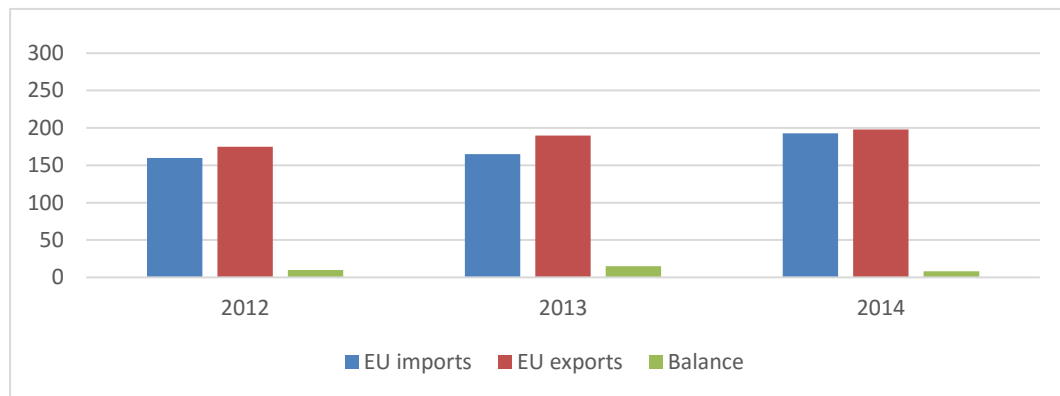


Figure 2. Trading of services between EU and US.

Source: European Commission (2015)

However, the situation of trading the services is better because EU imports and exports of services increased every year since 2012. This means that service sector is developing very quickly and it is a good sign for the Europe because it the data shows that economic crisis in the EU is being suppressed step by step.

On the economic front the introduction of the euro the EU's single position in the World Trade Organization (WTO) and the European power in the G8 and G20 (where the EU is present also on an autonomous basis) and the international financial institutions (IFIs) are cases where the EU exercised leadership both in strengthening multilateralism (Meunier 2000, 2005), and through its relationship with the US.

On the security side, the development of the Common Foreign and Security Policy (CFSP) and the European (now Common) Security and Defence Policy (ESDP/CSDP) as well as of the EU's external development aid policy, alongside external developments such as crisis management in the Balkans, the Iraq war, relations with Russia and Iran's nuclear programme are all issues on which EU member states have found themselves struggling between their wish to keep a united front (Howorth and Menon 2009, Manners 2010) and the priority, at least of some member states, not to alienate the US. These emerge as policy areas where the EU's ability to exercise leadership remained limited (Smith 2006), and the EU as a whole did not significantly contribute to international changes (Hollis 2012).



Furthermore, in the post 9/11 period in matters of internal security, counterterrorism has emerged as an area where EU integration has forced a reappraisal of relations with the US within EU member states (Howorth and Menon 2009). There are, of course, other issues such as environmental protection or the International Criminal Court (ICC), in which the EU did exercise some leadership and contribute to international changes that shaped the policy outcomes (Howorth 2010).

This paper cannot address all of these issues. It instead narrows down its focus to trade policy - an area where European integration has been the most extensive with the EU exercising leadership role in fostering multilateralism on the one hand and contribute to the creation of a multipolar world on the other hand (Peterson and Steffenson 2009) and the EU's foreign policy - an area where progress in European integration has lagged well behind (Hill 2003), thereby limited the EU's leadership role both internationally and in terms of its relations with the US.

In this context it is important to keep in mind that transatlantic relations and the process of European integration are both affected from the emerging global balances of power (Kopstein and Steinmo 2008). The political and economic conditions that have enabled the EU and the US to act as global leaders are fading, although the ability of rising powers to challenge the Western-shaped and -dominated liberal order remains an open question (Howorth 2010).

The rising powers such as China, India, and Brazil, as well as a resurgent Russia, contest the rules that the transatlantic partners have drawn up as well as their ability to decide on the fate of global governance (Hart and Jones 2010). The economic crisis and the decline in the credibility of Western economic models world further exacerbate this situation. It is also within this changing international context that the EU's leadership abilities to strengthen multilateralism or contribute to a multipolar world might remain limited.

Derek (2015:14) states that the TTIP has become central to the USA-EU political relationship, because many stakeholders have invested their hopes in the prospective agreement as a way to confirm the vitality of the broader transatlantic relationship. Conversely, there is a risk of wider fallout for the relationship if the negotiations fail to overcome contentious differences or if the agreement falls short of expectations.

According to Derek (5015:15), scepticism concentrates largely on the proposed inclusion of provisions for investor-state dispute settlement, a mechanism that allows companies to take legal action against governments over claims of discrimination in favour of domestic firms or other unfair treatment. This means that such provisions are regularly included in other investment treaties and critics in Europe argue that including the mechanism in TTIP could limit the EU's ability to implement regulations in a range of areas if corporations feel their investments are threatened.

From 2010 to 2012, the Eurozone crisis was the dominant issue in European politics, demanding much of the energy and attention of Europe's leaders. Some observers reiterated long-standing doubts

that the Eurozone, a monetary union without fiscal union, has a sustainable structure for a currency area. Many observers predicted that the crisis would force one or more countries to exit the euro. According to Derek (2015:15), then EU countries tightened fiscal rules, adopted reforms to strengthen the banking sector and created sovereign rescue funds to provide emergency loans to member states. The European Central Bank (ECB) purchased sovereign debt of countries under pressure, devised incentives to encourage bank lending to households and the private sector, and offered low-cost loans to shore up the operations of European banks.

The EU also plays an important role to protect the rights and privacy of European citizens, including those of the UK. According to Korteweg (2013:1), discussions over personal data protection – financial or otherwise – among 27 individual states would be time-consuming for the US, but also likely less beneficial to European, and UK, interests. The author also adds that such discussions have served the purpose of uniting 27 EU countries on issues of common interest.

Economic relationship between the United States and European Union is the largest in the world and it is still growing. Since World War II the modern economic relationship has been developing and was broadened from 6 member European Community into the present 28-member European Union. When the number of trade and financial activities increased, the relationship became more complex and interdependent.

The United States and the European Union have the largest trade and investment relationship in the world. According to Cooper (2014), the relationship generates approximately \$5 trillion annually in total commercial sales and provides up to 15 million jobs in the United States and Europe. The numbers are really impressive and the fact that such a huge amount of people have jobs due to EU-USA relationship helps to imagine the effect of this partnership on the world. According to Cooper (2014:1), trade of goods gained approximately \$787 billion in 2013. USA and European companies are also the biggest investors in each other's markets.

Another interesting fact provided by Cooper (2014:1), that since 2000, 56% of USA global investment has gone to Europe. This means that Europe got more than a half of the entire USA investment. Cooper (ibid.) also adds that in 2012, more than 70% of total foreign investment in the United States (approximately \$1.9 trillion) came from Europe. It is obvious that Europe invests to USA even more than two thirds of the entire investment. It can be stated that the transatlantic economic relationship is the world's most influential due to shaping standards and regulations, because as the Cooper (2014:2) states, the United States and the EU together comprise approximately 50% of global gross domestic product (GDP) by value and 40% in terms of purchasing power parity. It can be stated that USA-EU cooperation has been the key force in the world trade liberalization.

The EU as a group of countries is the largest merchandise trading partner of the United States. According to Cooper (2014:1), "in 2012 the EU accounted for \$265.1 billion of total US exports (or

17.1%) and for \$380.8 billion of total US imports (or 16.7%) for a US trade deficit of \$115.7 billion". What is more, the United States is the largest non-EU trading partner. This means that economy between the EU and US is well developed.

Cooper (2014:1) also provides some other data on trade. In 2012 the EU accounted for \$149.7 billion (or 34.4% of total US services imports) — including travel services (\$21.7 billion), passenger fares (\$13.2 billion) and freight and port fees (\$18.6 billion). Royalties and licensing fees accounted for another \$18.4 billion. In addition, other private sector services accounted for \$66.0 billion of imports and \$10.4 billion in defence-related expenditures.

Another interesting fact provided by US Department of Commerce is that in 2012 an estimated \$278.6 billion flowed to the United States from income earned on EU assets held by US residents while in 2012, \$221.9 billion flowed to the EU as income earned on assets held in the United States by EU residents. This shows that bigger amount of money related to the assets held by not native people flows from EU to US. The current US account is made of trade in goods and services, unilateral transfers and income receipts payments.

But increasing economic interdependence brings challenges as well as benefits. US-EU trade ties were tortured by disputes that often reached the highest levels of policymaking. According to Cooper (2014:2), although these disputes have covered a range of sectors and issues, the most contentious and public have been related to trade in agricultural and agricultural-related products. The author (*ibid.*) also adds that the United States has taken the EU to task for its ban on hormone-enhanced beef imports and for its policy regarding banana imports. It shows that differences of EU and US policies also cause many challenges in trade of goods.

Yet, the agriculture sector accounts for a very small portion of not only USA-EU bilateral trade but also for the total world trade of the two entities. As Cooper (2014:4) states, in 2013 agriculture accounted for 4.5% of total USA exports to the EU and for 3.8% of total imports from the EU. This contrast suggests that the attention received by the disputes reflects the domestic political emphasis of these issues to a much further extent than their overall commercial or economic significance. Talking about the negative aspects, at the political level, the annual EU-US summit is important on paper, yet disappoints in reality. As Korteweg (2013:2) states, the EU-US relationship suffered a blow when President Obama cancelled the summit in 2010. The relationship does not achieve its full potential because the United States sees the EU mainly as a trade bloc, not as a credible political actor. But both sides are to blame. The summit also fails to deliver due to a fast desire from EU countries to maintain exclusive bilateral relations with Washington, instead of working through Brussels. It also results from an unclear division of labour between the European Council and the Commission on transatlantic affairs. Korteweg (*ibid.*) also adds that the most senior level the EU sends three people to the summit –

President Van Rompuy, President Barroso and High-Representative Ashton – while the US sends one, the President.

Regarding security issues, bilateral relations usually take precedence over EU-US co-operation. Specific national security interests are not deferred to the European level. However, the EU has achieved some success in the foreign policy domain alongside the US. As Korteweg explains (2013:2), the EU and Washington worked together on Burma and the Iran sanctions regime. In an increasingly complex and multipolar world, co-operation among a united Europe and the United States has a better chance of defending British interests. Objections between the EU and its member states and the US are usually a recipe for diplomatic failure, while common positions improve the prospects for success.

Investment trends from USA to the European Union are the most popular in the world. Three biggest FDI receivers from EU and a native country of the researcher have been selected for the analysis regarding investment trade – the United Kingdom, Germany, Belgium and Lithuania. The last country has been selected due to the fact that the author of this research is Lithuanian. All the countries are intended to be analysed in several spheres of investment. The spheres could be named as personal income tax, wage, transportation, unemployment rate, GDP, geographical situation, inflation. The main spheres of the FDI in the target country will be investigated too.

The following research provides the main factors influencing investment from the United States to the United Kingdom. All the trends are based on the newest available statistical data. FDI flows to **United Kingdom** are the biggest in the whole European Union. Investors choose a desired country by analysing various factors. In order to invest to one or another attractive country, some main factors must be considered. Usually, an investor analyses the country and its market on several aspects that may be beneficial not only for an investor, but also for a receiver of the investment.

**Table 4.** The main taxes collected in the United Kingdom.

<b>Taxation</b>	<b>Corporation tax</b>	<b>VAT (standard)</b>	<b>Personal income tax</b>	<b>Export tax</b>
Rate	20 %	20 %	45 %	VAT payable on import from a non-EU country, import from EU countries subject to common EU VAT rules

Source: Trading Economics (2016).

When a country is considering investing to one or another country, taxation system of the receiver has to be analysed completely, because different taxes are applied in every European Union member state. According to HM Revenue & Customs (2016), the corporate tax rate in the United Kingdom stands at 20 %. Corporate tax rate in the United Kingdom averaged 32.66 % from 1981 until 2015, reaching an all-time high of 52 % in 1982 and a record low of 20 % in 2015. Its amount is based

on the net income companies obtain while exercising their business activity, normally during one business year. Revenues from the corporate tax rate are an important source of income for the government of the United Kingdom. Due to this reason, the lower corporation tax is applied in the country; the better is for investor because the lower amount of taxes would be paid to the government of the United Kingdom.

As HM Revenue & Customs (2016) states, the personal income tax rate in the United Kingdom stands at 45 %. This tax in the United Kingdom averaged 42.14 % from 1995 until 2015, reaching an all-time high of 50 % in 2010 and a record low of 40 % in 1996.



Figure 3. UK minimum hourly wage (GBP/hour)  
 Source: Department for Work and Pensions

As labour issues in the United Kingdom are concerned, investors also analyse minimum wage. Every area has to be discussed and evaluated before taking the decision to invest to one or another country. According to the Department for Work and Pensions (2016), UK's national minimum wage increased to £7.20 per hour in April 2016 from £6.70 in 2015. Figure 3 shows the increase of minimum wages from 2006 to 2016. It is obvious that minimum hourly wage increased from 5.35 to 7.2 GBP per hour in ten years.

Unemployment rate is a very important aspect for investment too. One of the purposes of investing countries is creation of new jobs. In this case, as Trading economics (2016) provides statistics, foreign direct investment to the United Kingdom helped to reduce unemployment rate dramatically from 5.2 % in 2005 to 4.8 % in 2016. This means that every year even more and more workers find their jobs and at the same moment unemployment rate decreases.

Regarding transport related aspects, roads in the United Kingdom form a network of varied quality and capacity. According to International Transport Statistics Database (2016), the United Kingdom is among the best countries in the world for road safety and is still improving. The length of the highway in the United Kingdom is about 3700 kilometres.

As for railway, the length of it is 15760 kilometres in the UK. The railway system in Great Britain is the oldest in the world. Due to this reason the rail system is well-developed and it highly contributes to the business sector.

What is more, the United Kingdom has more than 150 airports and aerodromes of which 20 airports are used mainly. In the United Kingdom more than 60 ports can be also counted. The entire system of transport in UK developed perfectly and this helps for the decisions from investors regarding FDI. They are sure that the transport sector in the United Kingdom works perfectly in every area.

Access to target markets is an important aspect when searching for a place to invest. Although the United Kingdom is located off the north-western coast of continental Europe, it is still the leading country by received FDI. This means that geographical situation in the United Kingdom is beneficial for the country. All the target markets can be reached by water or by air. It can be explained that water connections are useful when investor chooses a place for investment.

According to Office for National Statistics (2016), the UK economy advanced 2.3 % year-on-year in the three months to September of 2016, better than a 2.1 % expansion in the previous period and above market expectations of 2.1 %. As the figure 3 shows, the GDP is varying every year from 2014 to 2016 in the United Kingdom.

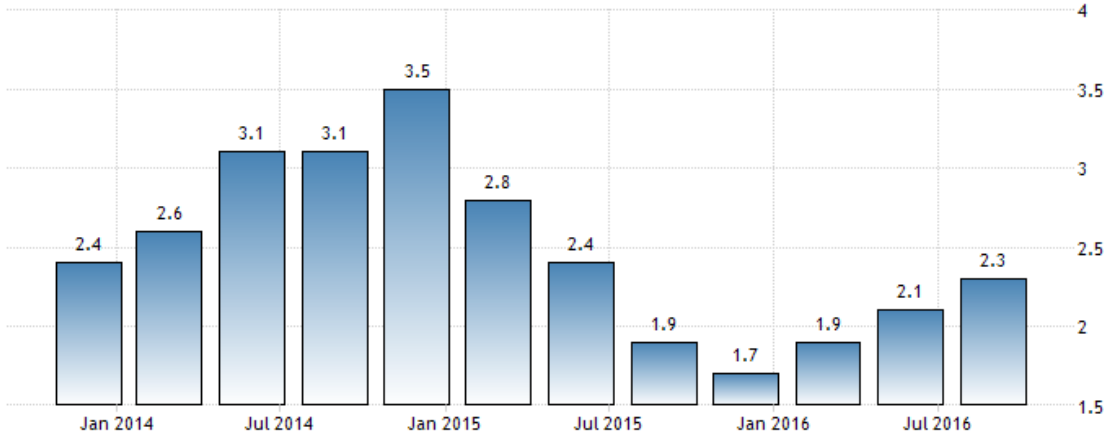


Figure 3. GDP annual growth rate in the UK (USD)  
Source: Office for National Statistics

According to Office for National Statistics (2016), British consumer prices rose 0.9 % in the year to October 2016, compared with a 1 % growth in the year to September and below market expectations of 1.1 % gain. Prices for motor fuels, housing and furniture increased while cost of clothing fell.

According to the data provided by Trading Economics (2016), inflation rate is very varying since January to October this year. The data could suggest the sharp fall in the value of the pound following the June referendum is already pushing up the imports costs of domestic manufacturers, which is likely to feed through into UK consumer prices in the coming months.

Despite the main factors which are considered before making foreign direct investments, examples of the main areas of investing have to be analysed too. All the following areas for investment are very popular nowadays.

The United Kingdom has been a major destination of US foreign direct investment (FDI). What is more, the United Kingdom is a key source of FDI in United States. According to the data provided by Peterson Institute for International Economics (2016), the US direct investment stock in the United Kingdom was valued at \$588 billion in 2014, accounting for 12 % of US outward FDI stock to the world. About two-thirds of US direct investment in the United Kingdom went to holding companies (\$248 billion) and finance and insurance (\$152 billion). The smallest amount of investment went to mining (\$11.7 billion), wholesale trade (\$17 billion) and depository institutions (\$17 billion) (figure 4).

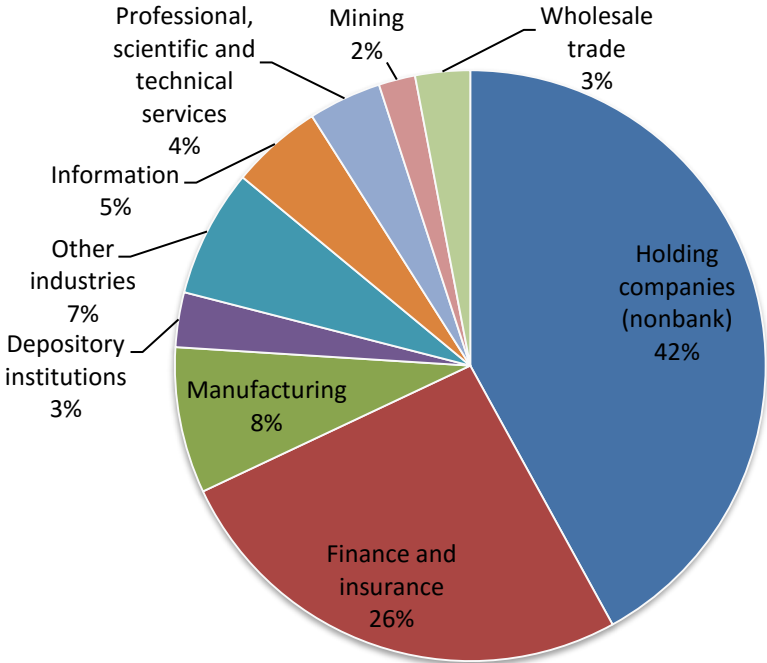


Figure 4: US outward FDI stock to UK, 2014  
Source: Peterson Institute for International Economics

The United States invest to holding companies in the United Kingdom due to the fact that the UK has one of the widest treaty networks available, such that payments from foreign high tax jurisdictions to UK companies will often attract low or zero withholding tax rates. Furthermore, the UK is of course also a member of the European Union and accordingly the UK holding company is entitled to the benefits of the EU Parent/Subsidiary Directive, so that provided the ownership structure qualifies, dividend payments to a UK holding company from an EU subsidiary may qualify for 0% withholding tax.

The second biggest country in the European Union by FDI flows from the United States is **Germany**. All the trends are based on the newest available statistical data. FDI flows to Germany takes the second place in the whole European Union. Investors choose a desired country by analysing various factors. When a country is considering investing to one or another country, taxation system of the receiver has to be analysed completely, because different taxes are applied in every European Union member state.

**Table 5.** The main taxes collected in Germany.

<b>Taxation</b>	<b>Corporation tax</b>	<b>VAT (standard)</b>	<b>Personal income tax</b>	<b>Export tax</b>
Rate	29,72 %	19 %	45 %	VAT payable on import from a non-EU country, import from EU countries subject to common EU VAT rules

Source: Trading Economics (2016).

According to KPMG international (2016), the corporate tax rate in Germany stands at 20 %. In Germany, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year.

Corporate Tax Rate in Germany averaged 39.78 % from 1995 until 2015, reaching an all-time high of 56.80 % in 1995 and a record low of 29.40 % in 2009. Revenues from the Corporate Tax Rate are an important source of income for the government of Germany. Due to this reason, the lower corporation tax is applied in the country; the better is for investor because the lower amount of taxes would be paid to the government of Germany.

As labour issues in Germany are concerned, investors also analyse minimum monthly wage. Every area has to be discussed and evaluated before taking the decision to invest to one or another country. According to the Department for Work and Pensions (2016), Germany’s national minimum wage is 8.5 EUR per hour. A German commission (2016) recommended that the minimum wage in Europe's economic powerhouse should increase by four % from January 1, 2017, to 8.84 euros per hour.

Unemployment rate is a very important aspect for investment too. One of the purposes of investing countries is creation of new jobs. In this case, as Trading economics (2016) provides statistics, foreign direct investment led to fall 6.8 % from 1.9 million people while employment rose 3% from 40.12 million people. This means that every year even more and more workers find their jobs and at the same moment unemployment rate decreases.



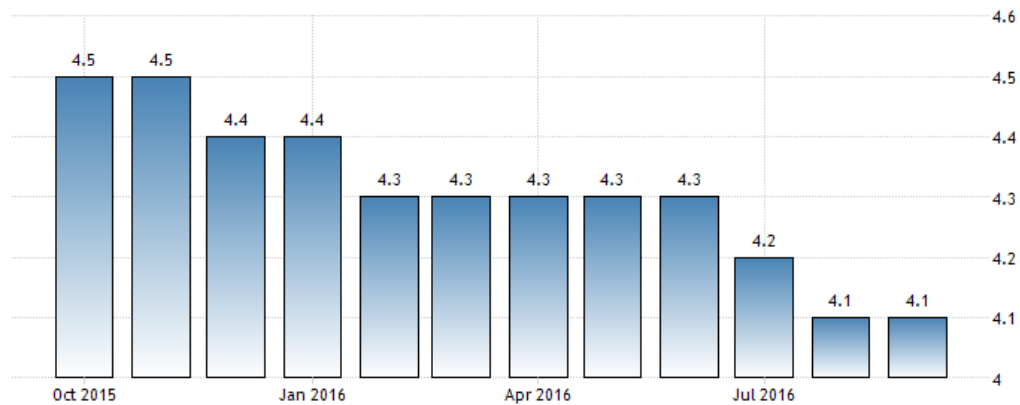


Figure 5. Germany unemployment rate, %.

Regarding transport related aspects, roads in Germany form a network of varied quality and capacity. According to International Transport Statistics Database (2016), Germany has approximately 650,000 km of roads, of which 231,000 km are non-local roads. The Autobahn is the German federal highway system. The source also provides information that Germany's autobahn network has a total length of about 12,949 kilometres in 2015, which ranks it among the most dense and longest systems in the world.

According to World Bank database (2016), Germany features a total of 43,468 km railways, of which at least 19,973 km are electrified. The railway system in Germany is obviously extremely long. Due to this reason the rail system is well-developed and it highly contributes to the business sector. Possible investor to transport sector is ensured that transport system regarding railways is developed and still developing every year.

Germany has more than 80 airports and aerodromes of which 25 airports are the busiest. In the Germany more than 20 ports can be also counted. The entire system of transport in Germany is developed perfectly and this helps for the decisions from investors regarding FDI. They are sure that the transport sector in Germany works perfectly in every area (World Bank database, 2016).

Access to target markets is an important aspect when searching for a place to invest. Germany is located in Western Europe, bordering the North Sea between France and Poland. The neighbours are really big and strong European countries. Due to this reason the location of Germany is beneficial not only themselves, but also to the neighbouring countries. All the target markets can be reached by roads, by water or by air. According to Trading Economics (2016), the German economy - the fifth largest economy in the world and Europe's largest - is a leading exporter of machinery, vehicles, chemicals, and household equipment and benefits from a highly skilled labour force. Composition of the GDP on the expenditure side: household consumption (55 %), gross capital formation (20 %, of which 10 % in construction, 6 % in machinery and equipment and 4 % in other products) and government expenditure (19 %).

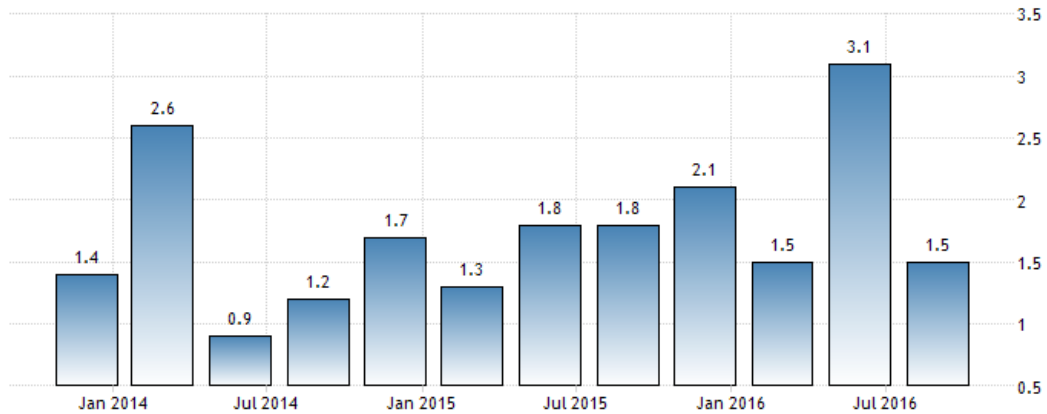


Figure 6. Germany GDP annual growth rate.

According to the data provided by Trading Economics (2016), inflation rate is very varying since January to October this year. At the beginning of the year, inflation rate was varying from 0.4% to -0.1%, but since June it started to increase dramatically and reached 0.8% in October.

Despite the main factors which are considered before making foreign direct investments, examples of the main areas of investing have to be analysed too. All the following areas for investment in Germany are common according to recent data.

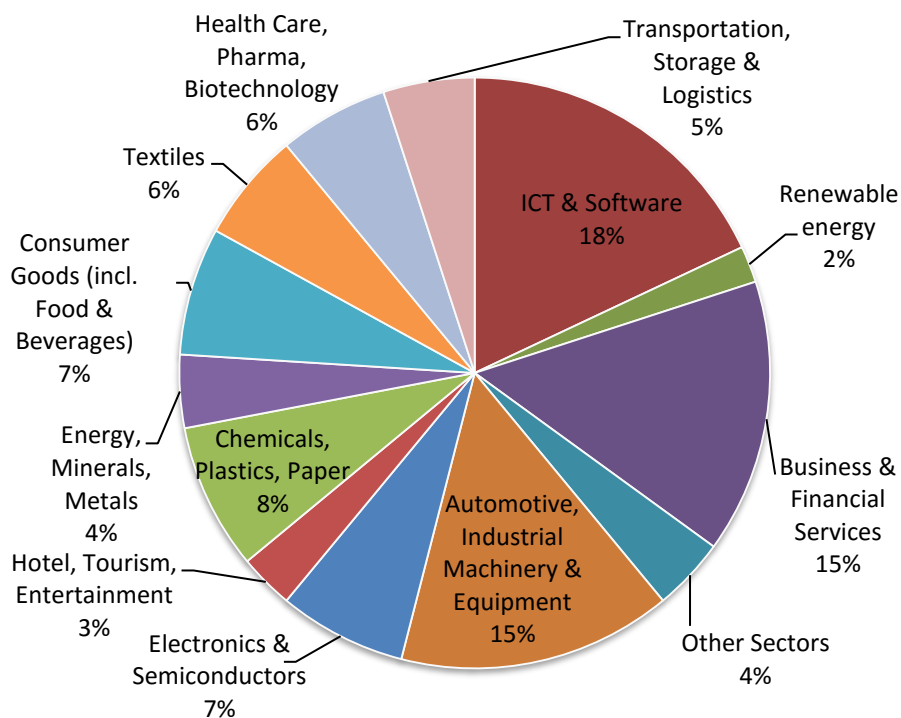


Figure 7: US outward FDI stock to Germany, 2014

Source: Peterson Institute for International Economics

Germany has been one of the main destinations of US foreign direct investment (FDI). According to the data provided by Germany Trade & Invest (2014), the US direct investment stock in

Germany was valued as the second biggest FDI receiving country in Europe from US. Almost one-fifth of US direct investment in Belgium went to ICT and software (18%), automotive, industrial machinery & equipment (15%) and Business & Financial Services (15%). The smallest amount of investment went to renewable energy (2%), hotel, tourism and entertainment (3%) and energy, minerals and metals (4%) (figure 7).

Another country on the list of FDI flows from the United States is **Belgium**. All the trends are based on the newest available statistical data. FDI flows to Belgium takes the third place in the whole European Union. Investors choose a desired country by analysing various factors. When a country is considering investing to one or another country, taxation system of the receiver has to be analysed completely, because different taxes are applied in every European Union member state.

**Table 6.** The main taxes collected in Belgium.

<b>Taxation</b>	<b>Corporation tax</b>	<b>VAT (standard)</b>	<b>Personal income tax</b>	<b>Export tax</b>
Rate	33,99 %	21 %	50 %	VAT payable on import from a non-EU country, import from EU countries subject to common EU VAT rules

Source: Trading Economics (2016).

According to Trading Economics (2016), the corporate tax rate in Belgium stands at 33.99 %. The Corporate Tax Rate in Belgium stands at 33 %. Corporate Tax Rate in Belgium averaged 39.06 % from 1981 until 2015, reaching an all-time high of 48 % in 1982 and a record low of 33 % in 2015. In Belgium, like in other previously mentioned countries, the corporate income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. When the lower corporation tax is applied in the country; the better is for investor because the lower amount of taxes would be paid to the government of Belgium.

As labour issues in Belgium are concerned, investors also analyse minimum monthly wage. Every area has to be discussed and evaluated before taking the decision to invest to one or another country. According to Trading Economics (2016), minimum wages in Belgium increased to 1531.93 EUR/Month in the second half of 2016 from 1501.82 EUR/Month in the previous six months. It is higher than the average salary in the EU which reaches 1470 EUR/month (Reinis Fischer, 2016). One of the drawbacks for investors is the high cost of salaries.

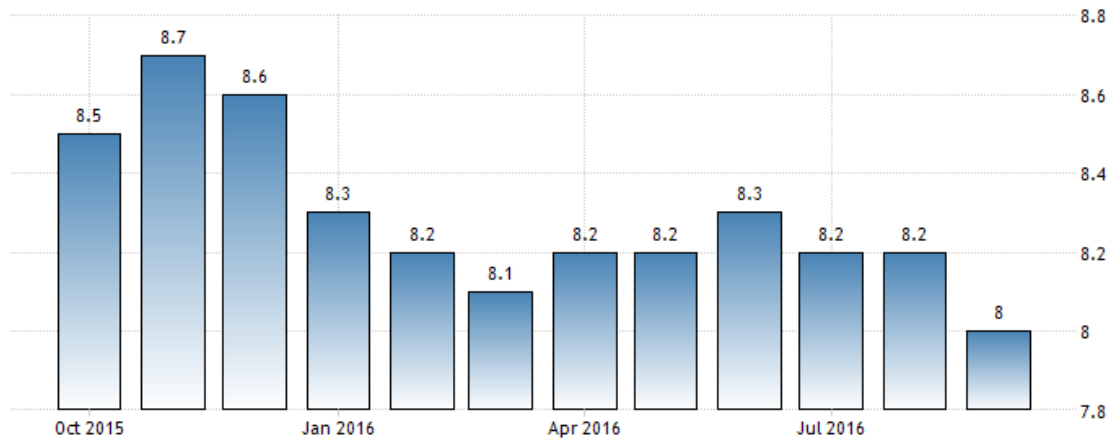


Figure 8. Belgium unemployment rate, %.

Unemployment rate is a very important aspect for investment too. One of the purposes of investing countries is creation of new jobs. In this case, as Trading Economics (2016) provides statistics, foreign direct investment Belgium helped to reduce unemployment rate from 8.7 % in October, 2005 to 8 % in October, 2016. This means that every year even more and more workers find their jobs and at the same moment unemployment rate decreases.

Regarding transport related aspects in Belgium, there are 118,414 km of roads, among which there are 1,747 km of motorways, 13,892 km of main roads and 102,775 km of other paved roads. According to International Transport Statistics Database (2016), Belgium is among the best countries in the world for road safety and is still improving. The length of the highway in Belgium is about 3700 kilometres. This means that despite small area of Belgium, transport links are really well created helping to reach every corner of the country. This is an advantage for potential investors in the target country.

According to the data by International Transport Statistics Database (2016), as for railway, there is a total of 3,536 kilometres, of which 2,950 km are electrified. It is obvious that development level of the railway in Belgium is extremely high, considering the factor that the biggest part of the whole railway is electrified. Due to this reason the rail system highly contributes to the business sector. What is more, Belgium has more than 6 airports (International Transport Statistics Database, 2016). Although the number is not high, but they are busy. One of the factors influencing high stream of people in airports is European Parliament and many members of Parliament using airport services every day. The entire system of transport in Belgium developed perfectly and this helps for the decisions from investors regarding FDI. They are sure that the transport sector in the Belgium is not a problem and it would contribute to the future investments.

Access to target markets is an important aspect when searching for a place to invest. Belgium shares land borders with 4 big and powerful European countries such as Germany, France, Luxembourg, and Netherlands.

This means that geographical situation for Belgium is beneficial due to the fact that this country has not only good place for economy, but also is safe between such powerful countries. All the target markets can be reached by roads, water or by air.

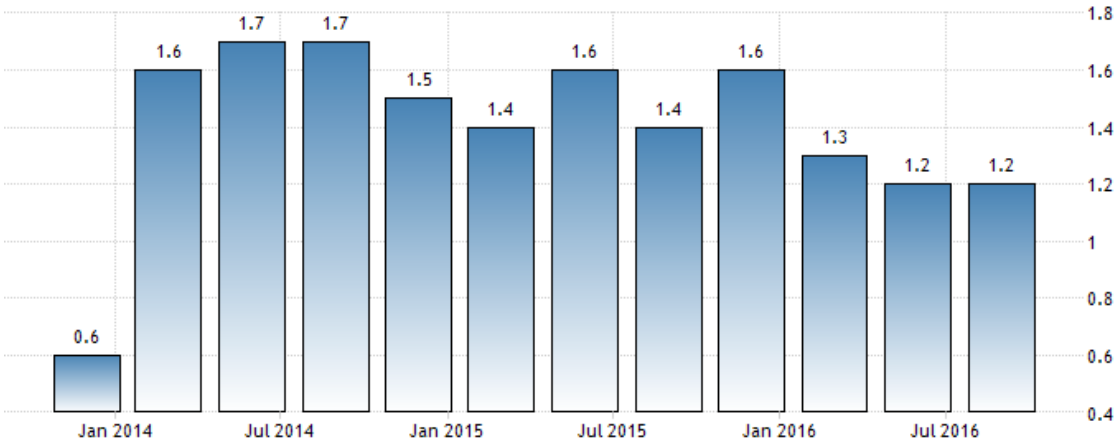


Figure 9. Belgium GDP annual growth rate, %.

According to Trading Economics (2016), in Belgium, the most important category in the consumer price index is Housing and Utilities (17.6 % of total weight). Food and Non-Alcoholic Beverages accounts for 16.4 %, transport for 15.9 %, recreation and culture for 9.3 %, miscellaneous goods and services for 9 % and restaurants and hotels for 7.8 %. Furniture, household goods and maintenance; clothing and footwear; communication; health; alcoholic beverages and tobacco and education account for the remaining 24 % of total weight.

According to the data provided by Trading Economics (2016), inflation rate is very varying since January to October this year. At the beginning of the year, inflation rate was varying from 1.52% to -1.74%, but since March it increased dramatically and reached 2.24% and later 2.28% in July. Nowadays it decreased to 1.81% in October.

Despite the main factors which are considered before making foreign direct investments, examples of the main areas of investing have to be analysed too. All the following areas for investment in Belgium are common according to recent data.

Belgium has also been one of the main destinations of US foreign direct investment (FDI). The US direct investment stock in Belgium was valued as the third biggest FDI receiving country in Europe from US. According to the data provided by Embassy and Consulates of Belgium in the United States (2016), the US direct investment stock in the Belgium in 2015 was accounting for 33% of US outward FDI stock to chemical manufacturing in Belgium. About 32% went to other industries and 12% to wholesale trade. The smallest amount of investment went to services (3%), food manufacturing (3%) and computers and electronics manufacturing (8%) (figure 10).

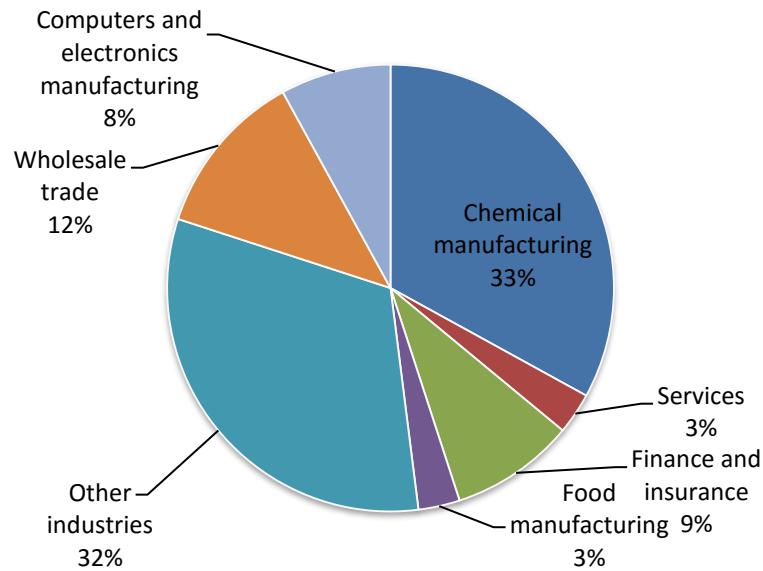


Figure 10: US outward FDI stock to Belgium, 2015

Source: Peterson Institute for International Economics

Although the market is mature, competitive and filled with international products, there are also good investment opportunities into potential sectors in Belgium. According to Santander Trade (2016), there is a significant growth in the service sector because “the country switched from heavy production to light manufacturing and began producing finished products instead of steel, textiles, and raw materials”. Belgium imports basic goods, and then additional value is created by using advanced methods of manufacturing. Later products are finished and exported. With the exception of its remaining coal resources, Belgium has no significant natural resources.

The last country chosen for the research is Lithuania. Although it is not on the top list of FDI flows from the United States, but it has been chosen for the research as a contrast to the biggest and most powerful European Union member states. All the trends are based on the newest available statistical data. FDI flows to Lithuania takes the third place in the whole European Union. Investors choose a desired country by analysing various factors. When a country is considering investing to one or another country, taxation system of the receiver has to be analysed completely, because different taxes are applied in every European Union member state.

Table 7. The main taxes collected in Lithuania.

Taxation	Corporation tax	VAT (standard)	Personal income tax	Export tax
Rate	15 %	21 %	15 %	VAT payable on import from a non-EU country, import from EU countries subject to common EU VAT rules

Source: Trading Economics (2016).

According to Trading Economics (2016), the corporate tax rate in Lithuania stands at 15 %. Corporate Tax Rate in Lithuania averaged 15.50 % from 2006 until 2015, reaching an all-time high of 20 % in 2009 and a record low of 15 % in 2007. Corporate Tax Rate in Lithuania is reported by the State Tax Inspectorate. According to the data provided by Trading Economics (2016), in Lithuania, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. The benchmark we use refers to the highest rate for Corporate Income. Revenues from the Corporate Tax Rate are an important source of income for the government of Lithuania.

As labour issues in Lithuania are concerned, investors also analyse minimum monthly wage. Every area has to be discussed and evaluated before taking the decision to invest to one or another country. According to Eurostat (2016), minimum wages in Lithuania increased to 380 EUR/Month in the second half of 2016 from 350 EUR/Month in the previous six months. Minimum Wages in Lithuania averaged 202.03 EUR/Month from 1999 until 2016, reaching an all-time high of 380 EUR/Month in December of 2016 and a record low of 92.14 EUR/Month in June of 1999.

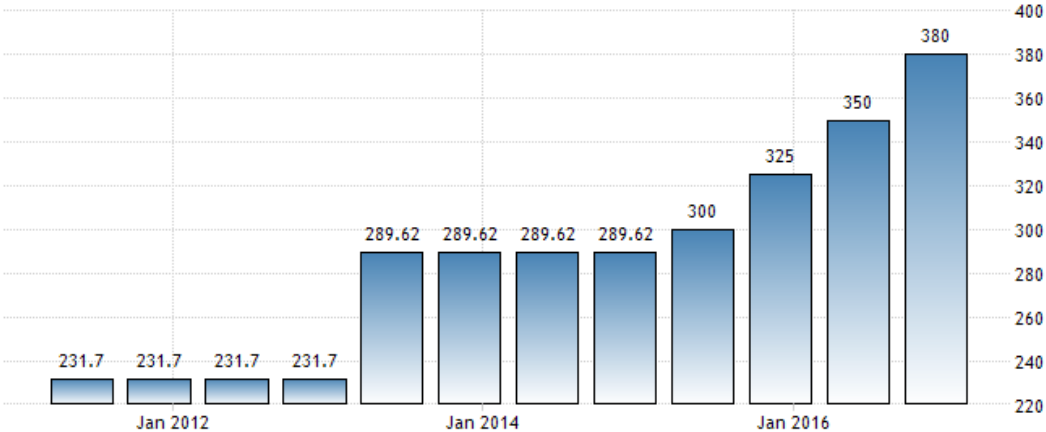


Figure 11. Lithuania minimum monthly wages, EUR/month.

As Lithuanian Labour exchange (2016) states, unemployment rate in Lithuania decreased to 7.20 % in September from 7.50 % in August of 2016. Unemployment Rate in Lithuania averaged 8.50 % from 1995 until 2016, reaching an all-time high of 15.30 % in July of 2010 and a record low of 2.70 % in June of 2007. Unfortunately, the percentage of unemployment in Lithuania is varying every year and there is no constant increase or decrease in this area.

According to International Transport Statistics Database (2016), Lithuania has European route crossing it from the south to the north. It is known as the Via Baltica between Warsaw and Tallinn running from Prague in the Czech Republic to Helsinki in Finland by way of Poland, Lithuania, Latvia, and Estonia. This road facilitates trade and communication for Lithuania with other European countries. The length of the highway in Lithuania is about 1748 km.

As for railway, the length of it is 1998 kilometres of railways. The railway system in Lithuania is really small compared to other and bigger European countries. However, this railway system helps to develop either internal marketing, or imports or even exports. In Lithuania, there are four international airports that are fully enough to develop imports, exports or control passenger flows in or out of Lithuania.

According to United Nations (2016), access to target markets is an important aspect when searching for a place to invest. Lithuania is located in Northern Europe. One of the three Baltic states, it is situated along the south-eastern shore of the Baltic Sea, to the east of Sweden and Denmark. It is bordered by Latvia to the north, Belarus to the east and south, Poland to the south, and Kaliningrad Oblast (a Russian exclave) to the southwest. All the target markets can be reached by water or by air.



Figure 12. Lithuania GDP annual growth rate, %.

According to the Statistics of Lithuania (2016), the Gross Domestic Product (GDP) in Lithuania expanded 1.70 % in the third quarter of 2016 over the same quarter of the previous year. GDP Annual Growth Rate in Lithuania averaged 4.16 % from 2001 until 2016, reaching an all-time high of 11.60 % in the fourth quarter of 2003 and a record low of -15.80 % in the second quarter of 2009.

Trading Economics (2016) also explains that Lithuania joined the Euro Area in January 2015. The country was among the hardest hit by the global financial crisis in 2008, the GDP contracted by 14.8 % in 2009. Since 2010, however, Lithuania has been ranked among the fastest growing economies in the European Union. On the expenditure side, household consumption is the main component of GDP and accounts for 63 % of its total use, followed by gross fixed capital formation (19 %) and government expenditure (17 %).

Statistics of Lithuania (2016) provides the numbers which show that consumer prices in Lithuania increased 0.9 % in October of 2016, following 0.8 % growth in the previous period. It was the highest inflation rate since April, as prices fell at a slower pace for housing and utilities (-1.7 % from -2.9 % in September); transport (-1 % from -2.2 %); clothing and footwear (0.0 % from -1.7 %) and rose for recreation and culture (+6.5 % from 6 %) and education (+3.1 % from +2.8 %). In



contrast, inflation slowed down for food (0.4 % from 1.2 %) and alcoholic beverages and tobacco (4 from 5.2 %). On a monthly basis, prices went up 0.5 %.

Investment trends from USA to **Lithuania** do not seem to be very popular. Best known USA investors in Lithuania: Philip Morris, Mars, Western Union, Nasdaq, Uber. USA mainly invests to manufacturing and mining and quarrying.

As imports from USA to Lithuania are concerned, USA was not the main import market and was only in 20<sup>th</sup> place on the list as the main importers to Lithuania (319.1 million EUR). What is more, the data of 2014 shows that Lithuania mostly imported land vehicles and their parts from USA. Also, a big part of imports (58.7%) was an import of mineral fuels (crude petroleum oils and heavy fuel oil).

Among the major worldwide imports of machinery and mechanical equipment to Lithuania were turbojet engines (34%), parts of agricultural, horticultural, and forestry machine parts (18.4%). Among electrical vehicles and equipment imported from USA, mostly (25.7%) various electrical equipment (transmission apparatus, digital cameras, etc.) was imported.

In agriculture and food sector, the most frequently imported product was surimi (33.2%), unmanufactured tobacco (31.3%). Chemical product imports from USA accounted for 32% which was for pharmacy products, while various chemical products (26.8%) were reaction initiators, reaction accelerators.

Among optical and similar devices, mostly telescopes and astronomical instruments have been imported (15.2 %), while medical, surgical apparatus and instruments account for (13.2 %). Textile and clothing import included used clothes (48.9 %) and chemical staple fibres (38.3 %).

Among wood and its products, mainly the wood was imported of a thickness exceeding 6 mm (60.9 %). Plastic imports – especially various, but its products were imported sparsely. Metal imports consisted of iron and steel (41 %) and also cutlery, spoons and similar tools (17.9 %)

In comparison with 2013, in 2014 mineral fuel import increased dramatically (141.8 %) due to the fact that the import of crude oil was started. There was a significant (46 %) increase of machinery and mechanical equipment import from USA due to increased import of jet engines. In 2014 the imports of textile products (-33.8 %) and vehicles and their parts (-32.6 %) decreased dramatically. This was caused by decrease of import of land vehicles, aircraft and their parts.

*Co-operation between the EU and the US in conflict prevention should be strengthened and should emphasize the cooperation of bilateral relations. The US appears to be somewhat irrational when it comes to the EU. On the one hand, it supports greater EU integration in the long term; on the other it prefers bilateral relations with nation-states in the short term. The euro crisis has increased US interest in the EU-US relationship. Yet this is a negative motivation for renewed transatlantic attention. A positive agenda on the topics the EU and the US should tackle together aside from trade and economic issues is missing.*

### 3.3. Cultural aspects and their relation to investment from USA to EU

Although several ways of analysing different cultures exist, Hofstede’s cultural dimensions have been chosen for the analysis. Because of the fact that European Union consists of many different countries having different cultures, 5 countries were selected as the biggest FDI receivers in EU. The analysis of cultural differences between the EU and USA has been performed on the basis of the United Kingdom, Germany, Belgium and Lithuania. The last country has been selected due to the fact that the author of this research is Lithuanian.

Professor Geert Hofstede conducted one of the most comprehensive studies of how values in the workplace are influenced by culture. He defines culture as “the collective programming of the mind distinguishing the members of one group or category of people from others”. The six dimensions of national culture are based on extensive research done by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov and their research teams. All the extensive researches helped to improve the analysis of investment between different cultures.

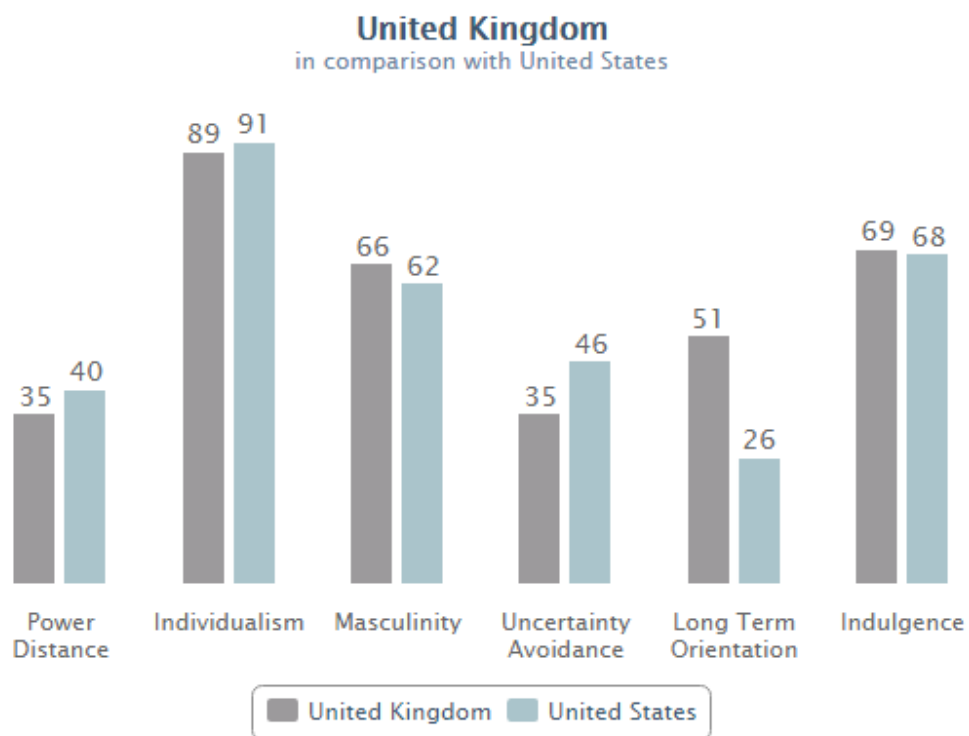


Figure 13. Comparison of the United Kingdom and the United States according to Hofstede’s dimensions (2016).

In the previous section, it was already mentioned that the United Kingdom is the biggest foreign direct investment receiver from USA in European Union. The following examination helps to better understand what cultural differences can make impact on the investment flows from USA to the United Kingdom.

The first cultural dimension in the figure 11 is *power distance*. According to Hofstede (1991:5), power distance “can be defined as the extent to which the less powerful members of institutions and

organisations within a country expect and accept that power is distributed unequally”. As for the United Kingdom, the score of power distance there is 35 which means that the United Kingdom sits in the lower rankings of power distance. It means that it is a society which believes that inequalities amongst people should be minimized. The power distance score at first seems incongruent with the well-established and historical British class system and it exposes one of the inherent tensions in the British culture – between the importance of birth rank on the one hand and a deep seated belief that where you are born should not limit how far you can travel in life. There are no big differences in this cultural dimension, both Americans and Britains are direct and communicative people, their meeting style is very similar, and due to this reason they can find investment decisions beneficial for both USA and EU. This helps to conclude that cultural dimension power distance is conducive for FDI from USA to the United Kingdom.

The second dimension provided by Hofstede is *individualism*. The situation in the United Kingdom and US according to this dimension is almost identical. At a score of 89 the UK is amongst the highest of the Individualist scores, beaten only by some of the commonwealth countries it spawned i.e. Australia and the USA. The British are a highly Individualist and private people. Children are taught from an early age to think for themselves and to find out what their unique purpose in life is and how they uniquely can contribute to society. According to the scale of individualism, US culture is highly individualistic. Within American organisations, hierarchy is established for convenience, superiors are accessible and managers rely on individual employees and teams for their expertise. Both managers and employees expect to be consulted and information is shared frequently. At the same time, communication is informal, direct and participative to a degree. The society is loosely-knit in which the expectation is that people look after themselves and their immediate families only and should not rely (too much) on authorities for support.

There is also a high degree of geographical mobility in the United States. Americans are the best joiners in the world; however it is often difficult, especially among men, to develop deep friendships. Americans are accustomed to doing business or interacting with people they don't know well. Consequently, Americans are not shy about approaching their prospective counterparts in order to obtain or seek information. In the business world, employees are expected to be self-reliant and display initiative. This helps to understand that investment initiatives are taken more individually rather than of the groups. It means that single companies invest more often compared to groups of companies. Americans do not cooperate combining several companies to groups in order to invest to another company based in Europe. They invest to Europe more individually. It can be stated that individualism in FDI is very popular because of the fact that the US and the United Kingdom are very highly individualistic and at the same time the UK is the biggest FDI receiver in European Union. This means that Americans appreciate individualistic countries as the target countries for investment.

The third dimension is *masculinity*. According to this dimension, the score of the US and Germany is almost the same. At 66, Britain is a Masculine society – highly success oriented and driven. A key point of confusion for the foreigner lies in the apparent contradiction between the British culture of modesty and understatement which is at odds with the underlying success driven value system in the culture. Critical to understanding the British is being able to ‘read between the lines’ What is said is not always what is meant. In comparison to Feminine cultures such as the Scandinavian countries, people in the UK live in order to work and have a clear performance ambition. The score of the US on Masculinity is high at 62, and this can be seen in the typical American behavioural patterns. This can be explained by the combination of a high Masculinity drive together with the most Individualist drive in the world. In other words, Americans show their Masculine drive individually. The British, however, have the same culture in this respect. This difference is a reflection of the higher score of the US on Uncertainty Avoidance than of the UK. This means that in both societies the same drive could be found, but Americans show it right away whereas the British people are more secret and will not show it at once. However, both USA and UK are success oriented and driven countries. They seek for achieving the best results in business too. Due to this reason they are perfect for each other – the United States for investing to the United Kingdom and the latter for receiving the foreign direct investment from the United States.

Another dimension provided by Hofstede is *uncertainty avoidance*. At 35 the UK has a low score on Uncertainty Avoidance which means that as a nation they are quite happy to wake up not knowing what the day brings and they are happy to change the plans as new information comes to light. British are comfortable in ambiguous situations. There are generally not too many rules in British society, but those that are there are adhered to. The US scores below average, with a low score of 46, on the Uncertainty Avoidance dimension. As a consequence, the perceived context in which Americans find themselves will impact their behaviour more than if the culture would have either scored higher or lower. There is a fair degree of acceptance for new ideas, innovative products and a willingness to try something new or different, whether it pertains to technology, business practices or food. This means that both the United Kingdom and the United States are always ready to try new ideas, businesses, etc. This makes foreign direct investment between these two countries even more simple. All the cultural similarities help to reach common goals in every situation.

One more dimension by Hofstede is *long term orientation*. The low score of 26 in United States reflects that Americans are prone to analyse new information to check whether it is true. Thus, the culture doesn't make most Americans pragmatic, but this should not be confused with the fact that Americans are very practical. American businesses measure their performance on a short-term basis, with profit and loss statements being issued on a quarterly basis.

This also drives individuals to strive for quick results within the work place. With an intermediate score of 51 in this dimension, a dominant preference in British culture cannot be determined. This means that UK score is really different from USA’s score. This cultural difference might be one of the main factors which make foreign direct investments from USA to UK more difficult. However, as it is already known that the UK is the biggest FDI receiver from USA in Europe, this means that the differences in long term orientation do not influence mutual investment cooperation of the United States and the United Kingdom.

The last dimension provided by Hofstede is *indulgence*. A high score of 69 indicates that the British culture is one that is classified as Indulgent. People in societies classified by a high score in Indulgence generally exhibit a willingness to realise their impulses and desires with regard to enjoying life and having fun. They possess a positive attitude and have a tendency towards optimism. In addition, they place a higher degree of importance on leisure time, act as they please and spend money as they wish. The United States scores as an Indulgent (68) society on the sixth dimension. Both the United Kingdom and the United States have almost the same score and this means that both parties are optimistic, spend money as they wish. This means that foreign direct investment is not too strict and people or companies do not have to follow strict rules for investment from the United States to the United Kingdom. This makes the investment even bigger and simpler.

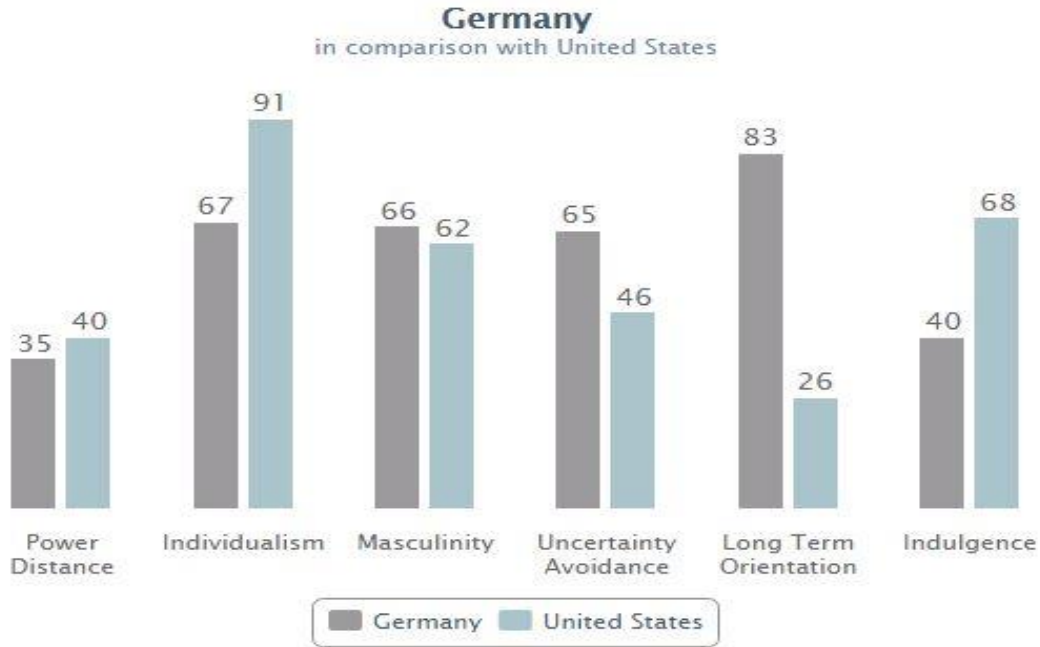


Figure 14. Comparison of Germany and the United States according to Hofstede’s dimensions (2016).

It was already mentioned that Germany is the second country in the EU getting the biggest foreign direct investment from USA. The following examination helps to better understand what cultural differences can make impact on the investment flows from USA to Germany.

The first cultural dimension in the figure 12 is *power distance*. The scholar states that highly decentralised and supported by a strong middle class, Germany is not surprisingly among the lower power distant countries (score 35). The situation in the US is almost the same (score 40). Co-determination rights are comparatively extensive and have to be taken into account by the management. A direct and participative communication and meeting style is common, control is disliked and leadership is challenged to show expertise and best accepted when it's based on it. This means that Americans and Europeans are able to hold conversation regarding investment area. There are no big differences in this cultural dimension, both Americans and Europeans are direct and communicative people, their meeting style is very similar, and due to this reason they can find investment decisions beneficial for both USA and Germany.

The second dimension provided by Hofstede is *individualism*. The situation in Germany and US according to this dimension is quite different. The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We". In Individualist societies people are only supposed to look after themselves and their direct family. In Collectivist societies people belong to "in groups" that take care of them in exchange for unquestioning loyalty.

Also, within the exchange-based world of work we see that hiring, promotion and decisions are based on merit or evidence of what one has done or can do. As for Germany, the society is a truly Individualist one (score 67). Small families with a focus on the parent-children relationship rather than aunts and uncles are most common. There is a strong belief in the ideal of self-actualization. Loyalty is based on personal preferences for people as well as a sense of duty and responsibility. This is defined by the contract between the employer and the employee. Investment initiatives are taken very individually rather than of the groups.

The third dimension is *masculinity*. According to this dimension, the score of the US and Germany is almost the same. With a score of 66 Germany is considered a Masculine society. Performance is highly valued and early required as the school system separates children into different types of schools at the age of ten. People rather "live in order to work" and draw a lot of self-esteem from their tasks. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices.

The score of the US on Masculinity is high at 62, and this can be seen in the typical American behavioural patterns. This can be explained by the combination of a high Masculinity drive together with the most Individualist drive in the world. Many American assessment systems are based on precise target setting, by which American employees can show how well a job they did. In order to reach better results in business, people try to expand their companies, enterprises or other businesses.

The strongest or most potential companies invest to the businesses in Europe. People live for the reason to work and as better results as possible.

Another dimension provided by Hofstede is *uncertainty avoidance*. The scores of the cultures also are quite different. Americans (score of 46) tend to be more tolerant of ideas or opinions from anyone and allow the freedom of expression. This cultural dimension clearly explains that Americans like new ideas, business practices and it is possible that investment to EU is closely related culturally to the desire of Americans to invest and create businesses in Europe.

At the same time, Americans do not require a lot of rules and are less emotionally expressive than higher-scoring cultures. At the same time, 9/11 has created a lot of fear in the American society culminating in the efforts of government to monitor everybody through the NSA and other security organisations. Germany is among the uncertainty avoidant countries (65); the score is on the high end, so there is a slight preference for Uncertainty Avoidance. Details are equally important to create certainty that a certain topic or project is well-thought-out. In combination with their low Power Distance, where the certainty for own decisions is not covered by the larger responsibility of the boss, Germans prefer to compensate for their higher uncertainty by strongly relying on expertise.

One more dimension by Hofstede is *long term orientation*. Germany's high score of 83 indicates that it is a pragmatic country. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. This cultural dimension shows that Americans have some differences from Europeans too. According to this cultural dimension, Americans have low score of long term orientation and this creates certain barriers for investment or entering to new cultures or markets. They need to analyse all the information, consider many factors of the business and investment.

The last dimension provided by Hofstede is *indulgence*. The United States scores as an Indulgent (68) society on the sixth dimension. The States has waged a war against drugs and is still very busy in doing so, yet drug addiction in the States is higher than in many other wealthy countries. It is a prudish society yet even some well-known televangelists appear to be immoral.

The low score of 40 on this dimension indicates that the German culture is restrained in nature. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong.

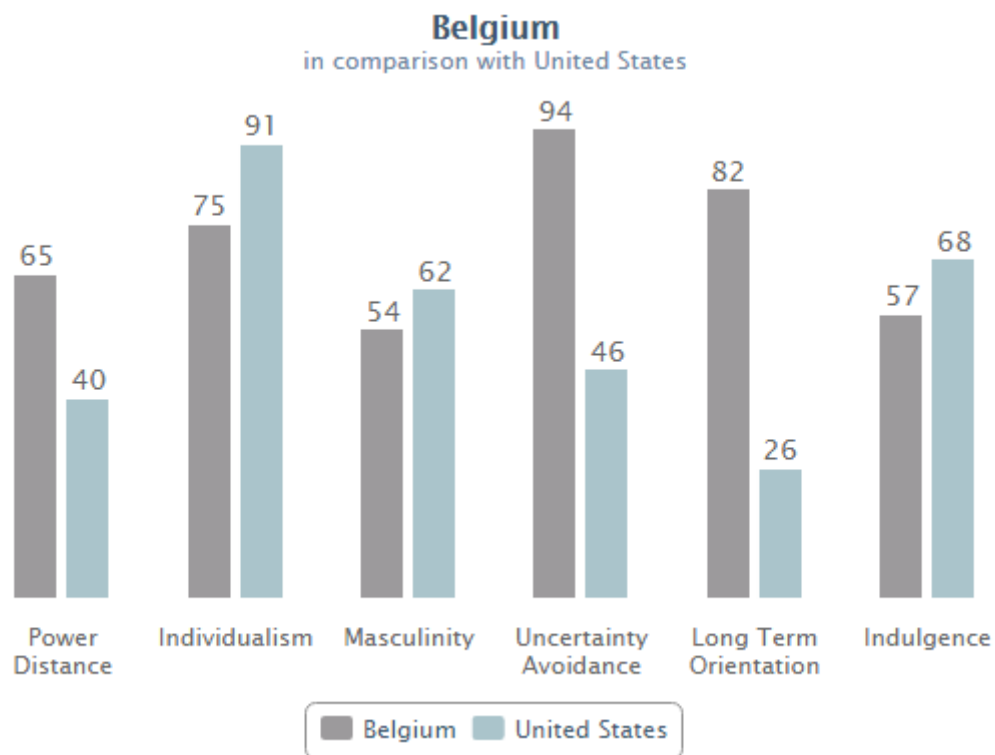


Figure 15. Comparison of Belgium and the United States according to Hofstede's dimensions (2016).

The first cultural dimension in the figure 13 is *power distance*. With a score of 65, Belgium scores high on the scale of the power distance. It is therefore a society in which inequalities are accepted. Hierarchy is needed if not existential; the superiors may have privileges and are often inaccessible. The power is centralized in Belgium. It might in the near future not be centralized in Brussels anymore but the Walloons and Flemish will each have their own point of centralized power from where administration, transports, business etc. are managed. In management, the attitude towards managers is more formal and on family name basis the information flow is hierarchical. The way information is controlled is even associated with power, therefore unequally distributed. Control is normal, and even expected, but considered as formal and not key for efficiency.

USA score is 40 and this means that these countries are very different. While USA believes that inequalities have to be minimized, people from Belgium must have privileges and superior powers. Due to this reason investment to Belgium from USA might become more difficult because people from Belgium see themselves better and more privileged than others, while Americans are more different people and the conversation between USA and Belgium might become more difficult too.

The second dimension provided by Hofstede is *individualism*. At 75, Belgium scores very high on the Individualism index. This means that the Belgians favour individual and private opinions, taking care of themselves and immediate family rather than belonging to a group. In the work environment, work relationships are contract based, the focus is on the task and autonomy is favoured. The management is the management of individuals and the recognition of one's work is expected.



People can voice their opinion, but towards power holders a less direct style is preferred than amongst peers. Although highly Individualist, the Belgians need a hierarchy. This combination (high score on Power Distance and high score on Individualism) creates a specific tension in this culture, which makes the relationship so delicate but intense and fruitful once you manage it. Therefore, the manager is advised to establish a second level of communication, having a personal contact with everybody in the structure, allowing to give the impression that “everybody is important” in the organization, although unequal.

Due to the fact, that score of USA is 91, the communication and economic relations between USA and Belgium become really fruitful. Similarities help to create better business relations and both parties creates a better conversation. The situation would be more difficult if the difference in individualism between USA and Belgium would be extremely big.

The third dimension is *masculinity*. According to this dimension, the score of the US and Belgium is almost the same. With 54 on average, Belgium has an intermediate score on this dimension. Balancing in the middle of this dimension, contradictions can be found. A confrontational, win-lose negotiating style will not be very effective in Belgium. This could mean that the decision process may be slower, as each point of view is considered so that consensus can be achieved. Belgians strive towards reaching a compromise, winning a discussion is generally less important than achieving mutual agreement.

As was mentioned before, many American assessment systems are based on precise target setting, by which American employees can show how well a job they did. In order to reach better results in business, people try to expand their companies, enterprises or other businesses. Although Belgium is more cautious than USA, but conversation and business processes between these two countries are still developing. Both countries have similar score in masculinity and this similarity improves FDI flows from USA to Belgium.

Another dimension provided by Hofstede is *uncertainty avoidance*. At score of 94 Belgium has one of the highest scores on the uncertainty avoidance index. Their history of frequently being ruled by others partly explains this score. Certainty is often reached through academic work and concepts that can respond for the need of detail, context, and background.

Teachings and trainings are more deductive. In management structure, rules and security are welcome and if lacking, it creates stress. Therefore planning is favoured, some level of expertise welcome, when change policies on the other hand are considered stressful. A score of 46 in USA helps to understand that Belgians are extremely cautious compared to Americans. Due to this fact FDI flows might become slower from USA to Belgium or even be rejected if Belgians feel some uncertainty in business and investment relations.

One more dimension by Hofstede is *long term orientation*. With a very high score of 82, Belgium scores as a decidedly pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results.

As for low score of 26, American businesses measure their performance on a short-term basis, with profit and loss statements being issued on a quarterly basis. This also drives individuals to strive for quick results within the work place. This means that Belgians rely on long-term experience while Americans rely on short-term history. These differences might not influence foreign direct investment flows from USA to Belgium, because Belgians are tend to invest ore receive investment.

The last dimension provided by Hofstede is *indulgence*. Belgium scores 57 on this dimension, which marks it as Indulgent. People in societies classified by a high score in Indulgence generally exhibit a willingness to realise their impulses and desires with regard to enjoying life and having fun. They possess a positive attitude and have a tendency towards optimism. In addition, they place a higher degree of importance on leisure time, act as they please and spend money as they wish.

The score of 68 shows that Americans are even more indulgent people and this means that there might not be difficulties regarding business communication. Both countries are optimistic, the control of spending money in both languages is not constrained too much. This simplifies foreign direct processes from USA to Belgium.

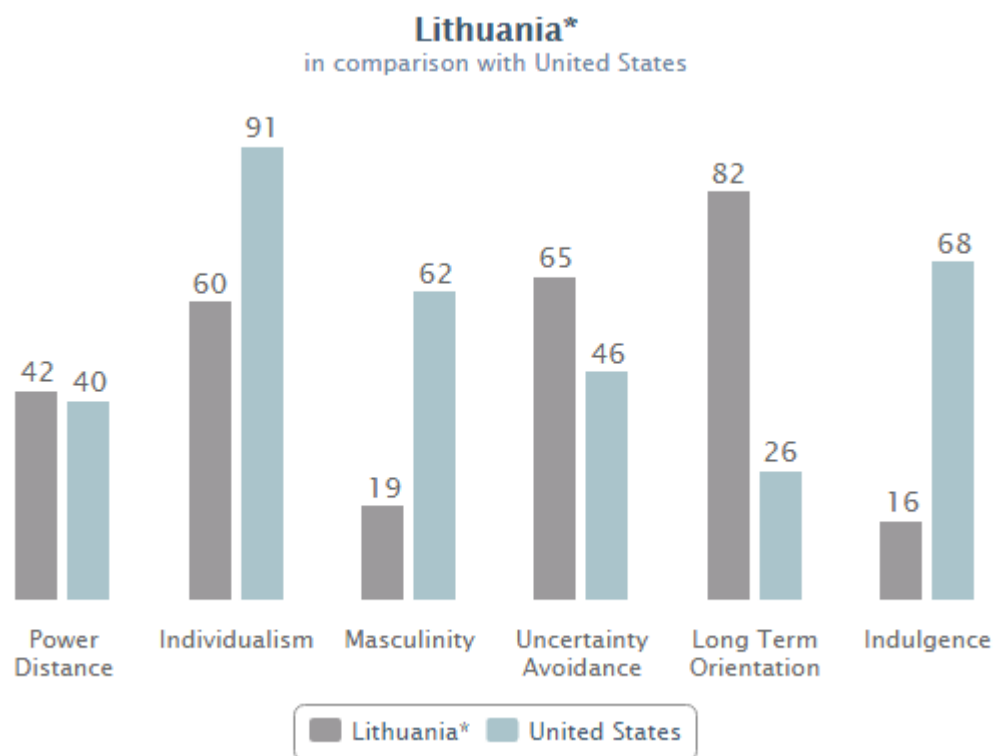


Figure 16. Comparison of Lithuania and the United States according to Hofstede's dimensions (2016).

Although Lithuania is not on the top the list of countries by received FDI, it is also important to examine Lithuania's cultural differences from USA. Lithuania has been chosen for the analysis due to the fact that the author of this research is Lithuanian.

The first cultural dimension in the figure 14 is *power distance*. With a low score on this dimension (42), Lithuanians show tendencies to prefer equality and a decentralisation of power and decision-making. Control and formal supervision is generally disliked among the younger generation, who demonstrate a preference for teamwork and an open management style. However, similar to the other Baltic States, there is a sense of loyalty and deference towards authority and status among the older generation, who has experienced Russian and Soviet dominance. It is important to note that Lithuania showed a preference for teamwork even during the Communist era, where work units commonly met to discuss ideas and create plans. The scepticism towards power-holders is due to the fact that those ideas and plans rarely resulted in implementation. Bear in mind that the high score on Individualism accentuates the aversion of being controlled and told what to do. Similar behaviour can be noticed in USA (score 40) too. They also prefer equality and a decentralisation of power and decision-making. Mutual relations regarding the cultural dimension of power distance would not be the essential factor regarding foreign direct investment from USA to Lithuania.

The second dimension provided by Hofstede is *individualism*. Lithuania is an Individualist country with a high score of 60, and it is important to remember that Lithuania remained Individualist during the soviet occupation. The ideal of a nuclear family has always been strong and close family members are usually regularly in touch, while respecting each other's space. Children are taught to take responsibility for their own actions and considered as young adults at an early age. The country has seen an increase in individualism since independence in 1990, due to an increase in national wealth as represented by less dependency on traditional agriculture, more modern technology, more urban living, more social mobility, better educational system, and a larger middle-class. Today the new generation of workers are more focused on their own performance rather than that of the groups. Although there is a hesitancy to open up and speak one's mind, Lithuanians speak plainly without any exaggeration or understatement; this too represents individualism. They are tolerant in that they do not care too much about what other people do as long as it does not annoy them; what you do and how you live your life is your business. Americans are highly individualistic people with the score of 91. Americans are accustomed to doing business or interacting with people they don't know well. Consequently, Americans are not shy about approaching their prospective counterparts in order to obtain or seek information. In the business world, employees are expected to be self-reliant and display initiative. Differences in this cultural dimension might influence foreign direct investment flows from USA to Lithuania. While Americans are always ready to do business, Lithuanians are culturally ready to adopt and receive various investments.

The third dimension is *masculinity*. As a Feminine country with a score of 19, Lithuanians have a tendency to feel awkward about giving and receiving praise, arguing that they could have done better, or really have not achieved anything worthy of note. As such they are modest and keep a low profile, and usually communicate with a soft and diplomatic voice in order not to offend anyone. Conflicts for Lithuanians are usually threatening, because they endanger the wellbeing of everyone, which is also indicative of a Feminine culture. Although the Lithuanians are considered a relatively reserved culture, they are tolerant towards the culture of other nations. This is partly due to their long experience of mixing with others nationalities. As a feminine culture Lithuanians more like what they do instead of wanting to be the best. While talking about Americans situation is different, because the score of masculinity is 62 and USA is highly masculine country and people want to be the best and seek for a better career. The difference in this dimension creates some barriers for mutual cooperation in FDI field.

Another dimension provided by Hofstede is *uncertainty avoidance*. With a score of 65 on this dimension there is an emphasis on Uncertainty Avoidance. Lithuanians have a built-in worry about the world around them, which society provides legitimate outlets for. In the work environments of countries with a low Uncertainty Avoidance, one can be a good manager without having precise answers to most questions that subordinates may raise about their work. Among Lithuanians it is the other way around; a manager is a manager, because he knows everything and is able to lead. This takes the uncertainty away and also explains why qualifications and formal titles should be included on business cards. Other signs of high Uncertainty Avoidance among Lithuanians are a reluctance to taking risks, bureaucracy and emotional reliability on rules and regulations, which may not be followed but reduce uncertainty. The situation in USA (score of 46) is around the middle. The lower score of USA is understandable due to the fact that it is one of the biggest and strongest countries in the world while Lithuania is really small country in its size and impact on many various aspects of economy, policy, etc.

One more dimension by Hofstede is *long term orientation*. A very high score of 82 indicates that Lithuanian culture is extremely pragmatic in nature. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. As for low score of 26, American businesses measure their performance on a short-term basis, with profit and loss statements being issued on a quarterly basis. This also drives individuals to strive for quick results within the work place. This means that Lithuanians rely on long-term experience while Americans rely on short-term history.

The last dimension provided by Hofstede is *indulgence*. With a very low score of 16, Lithuanian culture is one of Restraint. Societies with a low score in this dimension have a tendency to cynicism

and pessimism. Also, in contrast to Indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong. The score of 68 shows that Americans are even more indulgent people and this means that there might not be difficulties regarding business communication with other indulgent countries. Unfortunately, differences between USA and Lithuania might create barriers for foreign direct investment from USA to Lithuania. This means that cultural differences are closely related to bilateral relations of different countries having different culture, different attitudes to different areas of economy, politics.

*It can be stated that every country is different and has features that are only specific to the particular country. Investment flows very much depend on many different factors such as possible site for a company, transport infrastructure, various tariffs applied in the target country, GDP or inflation rates. The examples of cultural differences between the US and selected countries from EU showed that every country is different according to different cultural dimensions in comparison to the USA's cultural dimension scores. The cultural analysis has shown that differences between the cultures cause difficulties in bilateral relations. In this way, investment area is not an exception. Hofstede's analysis on many countries examining them according to his cultural dimensions is very useful for both companies and people. What is more, it is very important to understand differences between the cultures in order to perform economic or political cooperation.*

#### **4. GENERALISATION OF THE MAIN INVESTMENT TRENDS FROM USA TO EU MEMBER STATES**

Generalising the analysis of scientific literature it can be stated that huge flows of foreign investment is one of the modern world functioning factors. Foreign direct investment is defined as business investment seeking long-term relationship and reflecting partial control by an entity resident in one economy (foreign direct investor or parent enterprise) in an enterprise resident in another economy. During analysis of literature, a conclusion was drawn that there are various motives for companies to engage in FDI. Countries invest to foreign countries in order to serve the market directly rather than through exporting. Determinants for the attractiveness of a host country for market-seeking FDI include market size, expected demand growth, and whether it provides access to both regional and global markets. The second reason why companies invest in foreign countries is resource-seeking. This means that companies which rely heavily on natural resources such as oil, gas, minerals and other raw materials can gain cheaper and more reliable access to these inputs by establishing or acquiring firms in resource-rich locations.

Analysis of literature also allowed realising that Foreign Direct Investment (FDI) is one of the main factors for economic growth. Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment. Due to this reason countries have liberalised their FDI regimes and pursued other policies to attract investment. They have addressed the issue of how best to pursue domestic policies to maximise the benefits of foreign presence in the domestic economy. The factors that hold back the full benefits of FDI in some developing countries include the level of general education and health, the technological level of host-country enterprises, insufficient openness to trade, weak competition and inadequate regulatory frameworks.

Globalization in the financial sector has become such aspect of globalization which was developing extremely rapidly. Economic globalization increased the level of competition internationally among various small, medium-sized and big enterprises from different countries. Domestic and foreign enterprises merged with each other in order to strengthen their positions and become more competitive in the international markets. Analysis of scientific literature also helped to realize that cultural differences between the investing country and the receiving country have impact on investment too. It is very important how one culture is seen by another culture. Cultural differences between the countries are a huge contributor to globalization and changes in the world. During scientific literature review several different methods have been found that help to analyse differences between the cultures. However, the methods proposed by Hofstede, Lewis and Peterson have been analysed in greater detail in this particular research. Hofstede separates 6 dimensions of national

cultures: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, indulgence. All of them have certain scores for different countries. When the countries are compared, the differences or similarities of the scores can be seen obviously. The Lewis Model classifies cultures into three categories: multi-active, linear-active, reactive. Each category consists of many adjectives describing the cultures and countries can be grouped according to this model. In this way they are examined to which category they belong to. Peterson's scale of differences is a basic tool to describe how other cultures differ from our own culture. The scale is divided into 5 different categories that are evaluated on a scale from 1 to 10. Each scale of the categories looks like the scale above. Five scales are divided into: equality and hierarchy, direct and indirect, individual and group, task and relationship, risk and caution. All these methods to analyse cultures seem to be interesting and correct. However, Hofstede's cultural dimensions have been chosen for this particular research and are examined in analytical part.

Investigation of scientific literature helped also to find out that the global financial crisis had a huge impact on Europe and most EU countries face real problems with high unemployment, limited growth and poor investments despite huge needs. Then a trade agreement has been proposed with the aim of promoting trade and multilateral economic growth. The agreement is still under negotiations. The main spheres of negotiations are: market access; specific regulation; and broader rules and principles and modes of co-operation. Recently economic situation in the world, the lack of the progress in bilateral negotiations in WTO and increasing influence of both sides of growing economies encouraged USA and EU to work for this idea. Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement which caused negotiations between USA and EU. The decision to launch USA and EU negotiations was influenced by these factors: 1) stuck multilateral negotiations in World Trade Organisation (WTO); 2) global economic crisis which negatively influenced both economies of USA and EU; 3) strengthening influence on global trade of growing economies (China, India, etc.); 4) aim to reduce mutual trade costs between USA and EU. The possible and wanted effect of these negotiations would be the creation of mutually applied way for setting the origin of the product would allow to reduce the number of bureaucratic procedures while exporting the products to USA or EU would protect the producers from USA and EU, would encourage innovations and production.

Examination of EU-USA already has shown that the relations between big and strong continents are very useful. They are useful not only for European member states, but also for USA. These two parts of the world are very much dependent on each other taking into account several different factors that also were analysed before such as economy or politics. Three biggest FDI receivers in the EU and a native country of the researcher have been selected for the analysis regarding investment trade – the United Kingdom, Germany, Belgium and Lithuania. The last country has been selected due to the fact that the author of this research is Lithuanian. All the countries have been analysed in several spheres of

investment. The spheres could be named as personal income tax, wage, transportation, unemployment rate, GDP, geographical situation, inflation. The main markets of the FDI in the target country were investigated too. Economic and cultural research on the different countries has showed that economy and culture are closely related factors influencing investment from USA to EU member states. Investigation of every country helped to find out that sectors for investment in every country are very different. Indicators of personal income tax, wage, transportation, unemployment rate, GDP, geographical situation, inflation have a huge influence on investment. All the investigated countries obtain investment to different markets. This happens due to the factors that are specific only to one country or to another. Transportation infrastructure is one of the most important elements for investment. Of course, it depends on the market to which investor is interested in, but mainly the availability of airports, roads, ports or railways is very significant. Geographical situation is important too due to the surrounding neighbour countries. Wages, unemployment rate, inflation or other factors are very different in every country too. Investors consider every element before investing huge amounts of money or infrastructure.

Investigation of cultural differences has also helped to find out that the investment depends on the cultural differences of similarities. The United Kingdom is different from the United States only on one cultural dimension. All the other scores are almost the same. This means that both cultures are very similar to each other. The investigation of cultural differences has shown the tendency of cultural differences and the amount of investment received from USA. Analysis shows that the more cultural similarities USA has with a certain EU member state, the bigger inward FDI comes to that country. It is not a crucial factor, but contributes to the amount of investment. As for Germany, it has bigger differences in individualism, long term orientation and indulgence. Belgium has differences with the USA on dimensions such as power distance, individualism, uncertainty avoidance and long term orientation. Lithuania has only one similarity on power distance. All other scores of cultural dimensions have bigger differences. Investigation of cultural aspects of investor and target country showed that cultural differences also are possible factors improving investment of creating some barriers. The investigation of cultural differences has shown the tendency of cultural differences and the amount of investment received from USA.

*Globalization helped to interconnect the markets everywhere and increased the availability of business opportunities in every part of the world. Every year more and more investors can access new investment opportunities and familiarize with new markets for business development. Improvement of technologies helps to find out about various risks and profit opportunities easier than some time before. Countries having possible economic or cultural relations have abilities to engage to investment and trade procedures. Products and services become available in new markets and this improves opportunities for workers and generates better household incomes.*



## CONCLUSIONS

The completed analysis of bilateral partnership between the EU and USA shows that political, economic and cultural relations play a very important role not only to each other, but also to the rest of the world. The analysis of EU-USA partnership allows drawing the following conclusions:

1. Investment is beneficial not only to receiving country, but also to investing one. Most frequently two main categories of investing companies can be named. Market-seeking companies invest to foreign market in order to reach the target market directly rather through exporting procedures. Another type of companies investing to foreign markets seek benefits from resources such as oil, gas, minerals or other raw materials that are available at cheaper prices and access to these inputs is more reliable. The most popular way to do this is to establish or acquire firms in locations rich of resources. The cooperation between USA and EU was formalised for the first time with the Transatlantic Declaration. Transatlantic declaration set the goals for the United States of America and the European Community and its Member States.  
Investors mainly discuss several different aspects before investing to foreign market. Geographical situation is very important. Investing companies draw a special attention to real estate buildings, their places, availability of roads, ports, railways or even airports. When companies seek to invest to research and development or service industries, they are concentrated on the availability of skilled labour locally. Other companies that are dealing with steel would be interested in the place near railway. What is more, low labour costs and low tax rates may be crucial too. Different authors explain that the positive effect of investment is a development of new jobs, increase of the local country's capital, introduction of new technologies and technical experience. Besides, the countries receiving investment become more competitive when lets a foreign competitor to enter the market.
2. Operation of investment between EU and USA requires different political and legal procedures. Although trade between EU and USA is not fresh, there is a progress in bilateral negotiations in WTO and increasing influence of both sides of growing economies encouraged USA and EU to work for improvements in bilateral economic relations. Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement which caused negotiations between USA and EU. The decision to launch USA and EU negotiations was influenced by such factors as stuck multilateral negotiations in World Trade Organisation (WTO), global economic crisis which negatively influenced both economies of USA and EU, strengthening influence on global trade of growing economies (China, India, etc.), aim to reduce mutual trade costs between USA and EU. One of the main aspects in USA-EU negotiations regarding TTIP agreement is convergence of the regulatory system in order to simplify trade conditions between USA and EU.

3. Analytical part demonstrated the main fields of investment flows from USA to selected EU member states. The United Kingdom has been a major destination of US foreign direct investment (FDI). Investigation helped to find out that main markets of US direct investment in the United Kingdom holding companies, finance and insurance. The smallest amount of investment went to mining, wholesale trade, and depository institutions. Investigation helped to find out that the US direct investment stock in Germany was valued as the second biggest FDI receiving country in Europe from US. American companies invest to such markets in Germany as ICT and software, automotive, industrial machinery & equipment, business & financial services. The smallest amount of investment went to renewable energy, hotel, tourism and entertainment, and energy, minerals and metals. What is more, the US direct investment in Belgium mainly went to other industries and to wholesale trade. The smallest amount of investment went to services, food manufacturing, computers and electronics manufacturing. As for Lithuania, its economy is developing very fast and this country is ranked among the fastest growing economies in the European Union. It offers investors a diversified economy, a skilled workforce, low corporate taxation, very well-developed road network in the region. Regarding cultural aspects, the United Kingdom has most similarities with the United States and has a bigger difference only on dimension long term orientation. As for Germany, it has bigger differences in individualism, long term orientation and indulgence. Belgium has differences with the USA on dimensions such as power distance, individualism, uncertainty avoidance and long term orientation. Lithuania has only one similarity on power distance. All other scores of cultural dimensions have bigger differences. Investigation of cultural aspects of investor and target country showed that cultural differences also are possible factors improving investment of creating some barriers.
4. Generalization of the main investment fields reveals that the field of investment from USA to European Union member states is chosen in accordance with the factors related to taxes (corporation tax, VAT, personal income tax), living standards (minimum wage, unemployment rate, GDP growth rate, inflation), availability of transport infrastructure (roads, airports, railways, ports), neighbouring countries that might be beneficial for economic or business relations. All the fields for investment have to be considered in great detail before an investor chooses one or another decision. Due to this reason every country is uniquely attractive for different fields of investment.

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