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**NON-TARIFF BARRIERS APPLICATION IN TRADE
RELATIONS BETWEEN LITHUANIA AND SCANDINAVIAN
COUNTRIES**

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**NETARIFINIŲ BARJERŲ TAIKYMAS PREKYBOS
SANTYKIUOSE TARP LIETUVOS IR SKANDINAVIJOS ŠALIŲ**

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Table of Contents

LIST OF TABLES	5
LIST OF FIGURES	6
SANTRAUKA.....	7
SUMMARY.....	9
INTRODUCTION.....	11
1. THEORETICAL ASPECTS OF INTERNATIONAL TRADE	14
1.1 Theories and Conception of International Trade.....	14
1.2 Classification of Tariff and Non- Tariff Barriers.....	20
2. TENDENCIES IN TRADE RELATIONS BETWEEN LITHUANIA AND SCANDINAVIAN COUNTRIES	27
2.1 Trade relations between Lithuania and Norway.....	27
2.2 Trade relations between Lithuania and Sweden	30
2.3 Trade relations between Lithuania and Finland.....	33
3. NON-TARIFF BARRIERS APPLICATION BETWEEN LITHUANIA AND SCANDINAVIAN COUNTRIES	38
3.1 Methodology of chosen analysis.....	38
3.2 Non Tariff Barriers Affect for Trade Relations between Lithuania and Scandinavian Countries	41
3.2.1 Cooperation with Scandinavian countries	41
3.2.2 Difficulties faced in cooperating with Scandinavian country.....	44
3.2.3 Non- tariff barriers application in trade relations	46
3.2.3 Recommendations for improvement of Lithuanian and Scandinavian trade relations ..	51
3.3 Summary of Research Findings	56
CONCLUSIONS.....	60
LIST OF REFERENCES	62
1 ANNEX.....	66

LIST OF TABLES

Table 1. Definitions of International Trade

Table 2. Example of absolute advantage

Table 3. Example of comparative advantage

Table 4. Evolution of trade theories

Table 5. Examples of Non- Tariff barriers

Table 6. Non- Tariff barriers application in trade relations

LIST OF FIGURES

Figure 1. Classification of tariff barriers

Figure 2. Trading of goods between Lithuania and Norway in 2010 – 2016 period

Figure 3. Main articles exported from Lithuania to Norway in 2016 by percentages

Figure 4. Main articles imported from Norway to Lithuania in 2016 by percentages

Figure 5. Trading of goods between Lithuania and Sweden in 2010 – 2016 period

Figure 6. Main articles exported from Lithuania to Sweden in 2016 by percentages

Figure 7. Main articles imported from Sweden to Lithuania in 2016 by percentages

Figure 9. Trading of goods between Lithuania and Finland in 2010 – 2015 period

Figure 10. Main articles exported from Lithuania to Finland in 2015 by percentages

Figure 11. Main articles imported from Finland to Lithuania in 2015 by percentages

Figure 12. Main characteristics of a company

Figure 13. Effect of Non- Tariff barriers on trade relations between Lithuania and Scandinavian countries

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SANTRAUKA

Užsienio prekyba yra esminė kiekvienos šalies ekonomikos augimo priežastis. Tarptautinės prekybos augimas bei vystymasis yra vienas iš pagrindinių šalių politikų tikslų. Tokioms mažoms šalims kai Lietuva laisva tarptautinė prekyba atveria galimybes prekiauti prekėmis bei paslaugomis su kitomis pasaulio valstybėmis. Siekiant išlikti tarptautinėje prekyboje ir įgyti pripažinimą iš kitų šalių, Lietuvai svarbu skatinti tvirtus ryšius su užsienio partneriais. Tačiau bendradarbiaujant su užsienio šalimis, susiduriama su įvairiomis problemomis. Viena iš problemų yra: panaikinus tarifinius barjerus, sparčiai jų vietoje paplito netarifiniai barjerai, kurie užsienio bei lietuvių specialistų nuomone, daro neigiamą įtaką tarptautinei prekybai. Magistro baigiamajame darbe yra atliekama netarifinių barjerų taikymo prekybos santykiuose tarp Lietuvos ir Skandinavijos šalių analizė. Pagrindinis darbo objektas yra netarifinių barjerų taikymas Lietuvos prekybos santykiuose. Darbo tikslas yra nustatyti kokie netarifiniai prekybos barjerai yra taikomi Lietuvos ir Skandinavijos prekybos santykiuose ir įvertinti jų įtaką šių šalių prekybos santykiams. Norint pasiekti darbo tikslą darbe iškeliami 4 darbo uždaviniai: 1. paaiškinti tarptautinės prekybos sampratą teoriniu aspektu 2. pateikti tarifinių ir netarifinių barjerų kvalifikaciją 3. nustatyti pagrindines Lietuvos ir Skandinavijos šalių prekybos santykių tendencijas 4. Atlikti tyrimą, siekiant įvertinti netarifinių barjerų taikymą bei poveikį Lietuvos ir Skandinavijos šalių prekybos santykiams. Darbo struktūra susideda iš keturių pagrindinių dalių kuriomis siekiama pasiekti darbo tikslą bei uždavinius. Pirmoje darbo dalyje yra apibrėžiama tarptautinės prekybos sąvoka, aptariamos pagrindinės tarptautinės prekybos teorijos kuriomis remiantis atskleidžiamos pagrindinės tarptautinės prekybos priežastis. Šioje dalyje tai pat yra pateikiama tarifinių ir netarifinių barjerų klasifikacija bei aptariama netarifinių barjerų įtaką tarptautinės prekybos santykiams. Antroje darbo dalyje yra nagrinėjamos ir pristatomos Lietuvos ir Skandinavijos šalių prekybos tendencijos, pateikiami statistiniai duomenys, kurie parodo, kad Skandinavijos šalys yra vienos svarbiausių importo ir eksporto partnerės. Trečioje darbo dalyje atliktas tyrimas, siekiant nustatyti netarifinių barjerų taikymą bei įtakos lygi Lietuvos ir Skandinavijos šalių santykiams. Tyrimo rezultatai atskleidė, kad Lietuvos ir Skandinavijos prekybos

santykių efektyvumui didelę įtaką turi netarifinių barjerų taikymas. Pagrindiniai tyrimo metu nustatyti netarifiniai barjerai taikomi tarp Lietuvos ir Skandinavijos šalių prekybos santykių yra: sezoninis importo režimas, neišplėtota infrastruktūra, nustatytos kokybės sąlygos, nustatytas tinkamumo kriterijaus, nustatytos pakavimo ir ženklavimo sąlygos, papildomi prekybos dokumentų bei prekybą apribojančių licencijų reikalavimai. Šio tyrimo rezultatai aktualūs įmonėms bendradarbiaujančioms ar siekiančioms bendradarbiavimo su Skandinavijos šalimis, bei prekybos politikos veikėjams kurie įgyvendina prekybos politika Lietuvoje ar Skandinavijos šalyse.

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SUMMARY

Foreign trade is an essential reason for the growth of a country economy. The growth and development of international trade are one of the primary purposes of the trade policy of the countries. For such a small country like Lithuania, free international trade opened huge possibilities for trade in goods and services with other countries around the world. In order to remain in international trade and gain recognition from other countries, it is important for Lithuania to encourage strong relations with foreign partners. However, during the cooperation with foreign countries, faced with various difficulties. One of the challenges with a decrease in tariffs barriers, non- tariff barriers remarkable increase in world trade. In the opinion of foreign and Lithuanian scientists, non- tariff barriers have an adverse effect on the international trade. The Master's final work performs the analysis of non-tariff barriers application in the trade relations between Lithuania and Scandinavian countries. The object of the work is non-tariff barriers application on Lithuanian trade relations. The work aim is to identify non-tariff trade barriers and to measure their effects on trade relations between Lithuania and Scandinavian countries. To achieve this aim, the following tasks are raised: 1. to clarify the conception of international trade through the theoretical aspect; 2. to classify tariff and non-tariff barriers; 3. to identify the main trends of Lithuanian trade relations with Scandinavian countries; 4. to conduct the research in order to evaluate the effect and application of non-tariff barriers on trade relations between Lithuania and Scandinavian countries. The structure of the work consists of four main parts. The first part of the work describes the conception of the international trade, overviews the main theories of the international trade, which reveals the main cause of the global trade. In this part classification of tariff and non-tariff barriers was made to identify non- tariff barriers effect on international trade. The second part of the work examined and presented trade tendencies of Lithuania and Scandinavian countries. The statistical analysis showed that Scandinavian countries are among the major import and export partners to Lithuania. In the third part of the work, a research was performed to evaluate the application and effect of non-tariff barriers on trade relations between Lithuania and Scandinavian countries. The results of the research showed that the efficiency of

the trade relations of Lithuania and Scandinavia are highly affected by the application of non-tariff barriers. The following main non-tariff barriers, applicable for the trade relations between Lithuania and Scandinavian countries, were identified during the research: seasonal import regime, inadequate infrastructure, quality conditions imposed, determination of eligibility, established conditions for packaging and labelling, additional requirements of trade documents and trade restriction licenses. The results of this research will be relevant to companies that cooperate with or seeking to collaborate with Scandinavian countries, and for the trade policymakers that are implementing trade policy in Lithuania or Scandinavian countries.

INTRODUCTION

Economic development is considered as one of the major objectives for countries. Several factors influence economic development. One of those factors is international trade. International trade is the exchange of goods and services across international or territorial borders. In most countries, trade represents a significant share of gross domestic product (GDP). International trade is identified as one of the main causes of a country's economy growth. For that reason, all countries attempt to become an important part of the global market as they can. However, international trade is faced with a lot of difficulties; with a decrease in tariffs around the world, non-tariff barriers have increased to take their place. Non-tariff barriers can take many forms, most non-tariff barriers are placed by governments in order to restrict trade between countries and protect domestic producers from foreign countries. International trade between Lithuania and the Scandinavian countries - Norway, Sweden, and Finland - is well developed. The Scandinavian countries are among the major import and export partners of Lithuania. Foreign direct investment in Lithuania is increasing and Scandinavian countries are making the main influence to this growth. The efficiency of Scandinavian and Lithuanian trade relations depends on a few factors. One of the main factors is trade barriers (tariff and non-tariff), which can influence the strength of the countries' cooperation.

Trade barrier issues have been widely discussed by foreign and national scholars. Scientists Hayakawa and Kimura (2015), Sposi (2015), Lupien (2002), Kurtovic (2013), Soontiens (2003), Jørgensen and Schröder (2003), Hamilton (1981), Winchester, N. (2009), Bodenstein, Plümper and Schneider (2003), Daugėlienė (2016), Milner (2005), Quambusch (1977), Okumura, Y. (2015), Mariani et al (2014), Daly and Kuwahara (1999) analysed non-tariff barriers' effect on trade and state that gains from trade would be when both tariffs and non-tariff barriers are removed. Blonigen and Prusa (2003) stated that despite a decrease in tariff barriers, there has been an intense increase in other forms of trade barriers. Mutreja, Ravikumar, & Sposi (2015) indicate that the main cause of some of the European Union member states using trade barriers was a desire to maintain the status quo and protect domestic industries. The countries' trade barriers are framed as otherwise legitimate policy goals that meet specific legal technical requirements. For that reason, it is very hard to discover whether trade barriers were applied. Mutreja et al (2015) and Sposi (2015) argue that the trade barriers can affect relative prices by their impact on productivity in the tradable sector. Sposi claims that "*eliminating trade barriers removes more than half of the relative price disparity between rich and poor countries*" (Sposi, 2015 p.410).

The **novelty** of this research, lies within the fact that most scientists have estimated that tariff and non-tariff barriers affecting international trade. The research project provides a novel point by measuring the application and effect of non-tariff barriers on trade relations between Lithuania and Scandinavian countries. There are not made researches about the non-tariff barriers application on trade relations between Lithuania and Scandinavian countries.

The **practical significance** of this research: This research could be applied for further studies, which would be especially useful fo companies that cooperate with or seeking to collaborate with Scandinavian countries. Further, research findings could be used to improve countries' trade relations or trade policy by state government.

The aim of the research project is to identify non-tariff trade barriers and to measure their effects on trade relations between Lithuania and Scandinavian countries.

To achieve this aim, the following **tasks** must be completed:

1. to clarify the conception of international trade through the theoretical aspect;
2. to classify tariff and non-tariff barriers;
3. to identify the main trends of Lithuanian trade relations with Scandinavian countries;
4. to conduct the research in order to evaluate the effect and application of non-tariff barriers on trade relations between Lithuania and Scandinavian countries;

The **object** of the research: Non-tariff barriers application on Lithuanian trade relations.

The research **problem** is how to measure non-tariff barriers effects on Lithuanian trade relations with Scandinavian countries.

The **research methods**: For the theoretical parts, scientific literature review was conducted to present the conception and theories of international trade. Data from the Statistical Office of Lithuania was used to identify the tendencies of trade relations between Lithuanian and Scandinavian countries. For the analytical part, qualitative research methods- semi-structured interview was chosen to measure the effect and application of non-tariff barriers on trade relations between Lithuania and Scandinavian countries

The **structure of the** research project consists of four key parts. The first and second parts are

theoretical in nature. The first part gives broader understanding about international trade between countries, provides an overview of the main international trade theories, and presents the main classification of tariff and non-tariff barriers in trade relations. The second part analyses statistical data concerning new trade tendencies between Lithuania and Scandinavian. The third part the methodology of the chosen analysis and findings from the conducted respondents are presented. In the final part, conclusions and recommendations are provided.

1. THEORETICAL ASPECTS OF INTERNATIONAL TRADE

The study of international trade relations has always been essential throughout the history of economics. Early on, scientist and economists analysed information and created trade theories. Many international trade theories have been created in order to explain what causes countries to trade with each other. This chapter will overview the evolution of international trade theories and conception of international trade. The last part of this chapter will focus on the classification of trade barriers (tariff and non-tariff barriers), which helps to understand the impact of trade barriers in trade relations between countries.

1.1 Theories and Conception of International Trade

International trade is one of the leading forces of economic development. According to the European Commission, international trade is important to the financial health and success of countries and touches the lives of all citizens (European Commission EC, 2016). The international trade and trade policy is an essential component of the Europe 2020 strategy. This strategy is the primary document in present decade for sustainable and comprehensive growth and jobs in the Europe Union. In 2010 the European Commission published a communication in which stated that the international trade is a dominant element to increase employment and create a more modern, viable and sustainable economy. Communication declared that international trade is beneficial and international trade raises EU growth by raising our effectiveness and innovation; increases foreign demand for our goods and services; gives EU consumers access to a broader assortment of products at lower prices; foreign direct investment (FDI) rises countries competitiveness; investigation abroad allows company's ability to raise globally and create jobs both at home and overseas (European Commission (EC), 2010).

There are various scientific literatures, in which foreign and national scholars analysed the definitions of international trade. The definitions of international trade are presented in Table 1.

Table 1. Definitions of International Trade (compiled by the author based on Shim et. al. 1998; Deardorff, 2014; Black et al. 2009; Husted and Melvin 2013; Mazure and Tiltina; Bernatonytė, 2011; Grižas 2003.)

Author	Definition of International Trade:
Cambridge Dictionaries Online (2017)	International Trade- activity of buying and selling goods and services for individual purposes between countries.

Shim et. al. 1998, p.170	International trade - trading relationship between two or more nations.
Oxford English Dictionary (OED) (2017)	International Trade - action of buying and selling goods and services.
Deardorff, 2014, p. 435	International Trade – process to exchange one item for another. To export and/ or import.
Black et al. 2009, p.452	International Trade - exchange of goods between two individuals or nations. Trade is the basic component of economic activity and it's understood for mutual advantage.
Husted and Melvin 2013, p.79	International Trade- act then goods and services produced within every country are sold to agent's economic agents in other countries.
Mazure and Tiltina, 2015 p. 268	International trade - necessary part of the market economy, which provides great opportunities for small countries to support the internal market.
Bernatonytė, 2011, p. 14	International trade – an act of buying and selling, going between sellers, buyers and intermediaries in different countries.
Grižas 2003, p.15	International trade - state participation in international trade by implementing suitable trade policy, which is part of the economic policy. The leading international trade purposes should protect national production, employment and promote the foreign trade balance.

To summarise table 1, there are many different approaches to explaining international trade. Most scientists describe international trade in broad definitions, however, the dictionaries have very narrow definitions. According to Cambridge Dictionaries, Oxford English Dictionary and Dictionary of Economics international trade are the actions of buying and selling goods and services across international borders. (Cambridge Dictionaries Online 2017; Oxford English Dictionary 2017; A dictionary of economics, 2009). Gunita and Tiltina, 2015 state that international trade is beneficial and especially crucial for small countries “*an essential part of the market economy and provides great opportunities for small countries to support the internal market with sufficient goods and services as well as ensures an opportunity to participate in the external market*”. (Gunita and Tiltina, 2015, p.268)

According to Sun and Heshmati, 2010 international trade makes the positive effects on economic growth by openness. There are a lot of benefits from international trade. One of the main benefits is, that countries which participate in the global market offer a chance to trade at international prices rather than domestic prices “*this opportunity provides a gain from exchange, as domestic consumers can buy cheaper*

imported goods and producers can export goods at higher foreign prices” (Sun and Heshmati, 2010 p. 4). Another benefit from international trade is that the costs established in free trade encourage companies to move production from goods that the companies were producing at a relatively high price to products that it was providing at a relatively low cost. As admit by Sun and Heshmati long-term benefit of trade is the dynamic gain (Sun and Heshmati, 2010).

Lee argues that international trade has a significant positive effect by 1) facilitating capital accumulation; 2) industrial structure upgrading, technological progress and institutional advancement. He admits that *“the ratio of imported to domestically produced capital goods in the composition of investment may result in the rise in productivity of manufacturing”* (Lee, 1995 p. 97). The Lupien states that domestic and international trade in products and services is necessary to all states and is a part of total national development plans and actions for developing countries (Lupien, 2002). The empirical studies support that the international trade makes the positive effects on nations economic growth.

To give a broader understanding of international trade, the theories explaining the causes of international trade should be included as a part of overview. International trade theories have been discussed since the mid-18th century. The trade theories are divided into two groups - classical (Mercantilist, absolute advantage, comparative advantage, Heckscher-Ohlin) and modern (New Trade Theory, Melitz’s) trade theories. All of these theories have a significant effect on the trade policies of nations.

The first international trade theory was a mercantilist theory. From the point of view of mercantilist, international trade was viewed as a possible source of major prosperity for a nation and, furthermore, they believed that this prosperity was constructed on national assets of gold and silver. Given this view of well-being, exports were viewed as good and imports were seen as bad. (Pugel, 2009) The mercantilists supported government regulation of trade to guarantee that a country exported more than imported; to reduce imports and defend a nation’s trade situation tariffs, quotas and other commercial policies were offered by mercantilists. (Johnson, 1937). For example, the United States regularly insists that other states should buy more from its firms and sometimes limits import from other states to create a trade surplus. (Feenstra and Taylor, 2008). However, it would be tough to find a country that would be applied and implemented mercantilist policy nowadays *“under the competitive pressure of globalisation, trade-dependent countries had to radically modify, if not completely abandon, their mercantilist policy to secure international trade”* (Koo, 2010 p.8).

Another international trade theory was proposed by Adam Smith in 1776 in his book “The Wealth of Nations.” Smith opposed the mercantilist views on trade by claiming that, with free trade, global specialisation of economic contribution could spread world production, which could be shared by trading countries (Carbaugh, 1998) Smith established the principle of absolute advantage. The theory holds to get more advantage from international trade; each country must have a product that is absolutely efficient than its trading partner. According to absolute advantages theory, countries should import products in which it deficits an absolute advantage in producing, and will in turn export those products in which it has the absolute advantage in producing (Carbaugh, 1998). Table 2 illustrates the principle of absolute advantage. Referring to table 2, France has the absolute advantage in the production of wine. Supposing that the workers of both countries are salaried equally, France has an absolute advantage over Italy in producing wine bottles per hour. This is because France can produce double as many wine bottles as Italy can with the equal number of workers. To sum it up, the absolute advantages theory holds that countries export goods and services which they are most efficient at producing and import goods and services in which another country is more efficient.

Table 2 Example of absolute advantage (author’s construction)

Countries:	Wine (bottles)	Number of employees
Italy	10	3
France	20	3

The next decisive step in the development of trade theory was the publication in 1871 of David Ricardo’s “On the Principle of Political Economy”. In this publication was introduced the concept of comparative advantage. Ricardo clearly showed that absolute advantages are not the essential condition for two nations to gain from trade with each other. Ricardo argues that countries could benefit from global trade without having to use tariffs and without requiring exports to be higher than imports. (Dunn, Mutti, Ingram, 2003). Ricardo’s theory of comparative advantage states that to make sense for a country to “specialise in the production of these goods that it produces most efficiently and to buy goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently itself”. (Dutta, 2010 p.206). The reason that international trade produces a rise in world outputs is that it permits all countries to focus on producing the good in which it has a comparative advantage. The comparative advantage theory is accepted by most economists and is influential in promoting free trade policies.

Table 3 illustrates Ricardo’s comparative advantage principle when one country has an absolute advantage in the production of both products. For example: in one hour’s time Italian workers can produce 30 bottles of wine or 30 bolts of cloth, while French workers can produce 15 bottles of wine or 10 bolts of cloth. According to Smith’s principle of absolute advantage, there is no base for usually valuable specialisation and trade, because Italy is more efficient in the production of both goods. Ricardo’s principle of comparative advantage identifies that Italy is three times as valuable in the production in cloth production but only double as effective in wine production. Italy thus has a greater absolute advantage in cloth than in wine, while France has a lesser absolute disadvantage in wine than in cloth. Each nation specialises and exports that good in which it has a comparative advantage - Italy in cloth and France in wine. (Carbaugh, 1998)

Table 3 Example of comparative advantage (author’s construction based on Carbaugh, 1998)

Countries:	Wine (bottles)	Cloth (bolt)
Italy	30	30
France	15	10

Another classical trade theory was based on Eli Heckscher and Bertil Ohlin. The Heckscher-Ohlin model was produced as an alternative to the Ricardian model. They changed Ricardo’s comparative advantage principles and stated that comparative advantage arises from differences in national factor endowments. According to Heckscher-Ohlin theory, the factor endowment is resources like land, labour and capital to which the country is endowed. (Dutta, 2010) The theory maintains that “*nations have varying factor endowments, and different factor, the lower its cost*”. (Dutta, 2010 p. 208). The H-O theory state that nations will export the products which can make cheaper than other countries and import products which require expensive factors “*products that make intensive use of the country’s relatively abundant and cheap factor and import the commodity whose production requires the intensive use of relatively scarce and expensive factor*” (Dwivedi,2009, p.553.) To sum up, the Heckscher-Ohlin theory attempts to explain the pattern of international trade. This theory can be relevant to the today's world economy. Like Ricardo’s theory, the Heckscher-Ohlin theory argues that free trade is beneficial, but counter to Ricardo, this theory state that the pattern of international trade is determined by differences in factor endowments, rather than differences in productivity.

There are a few modern international trade theories. These theories were created after 1950 to

explain the developing changes in international trade. One of them is New Trade Theory, developed in the 1980s. The theory established new assumptions of imperfect competition and economies of scale. As stated in new trade theory the economies of scale mean that countries produce only some of the goods, then each product can be produced on a larger scale. The mutually profitable trade can arise as a result of the economies of scale *“each country specializes in producing a limited range of products, which enables it to produce these goods more efficiently than if tried to produce everything for itself; these specialized economies then trade with each other to be able to consume the full range of goods”* (Krugman and Obstfeld, 2006 p.112) Proponents of the New Trade theories stated that in imperfect competition the companies know that they can make an influence on the prices of their products and that they can sell more only by reducing their price

“imperfect competition is characteristic both of industries in which there are only a few major producers and of industries in which producer’s products is seen by consumers as strongly differentiated from those of rival firms. Under these circumstances each firm views itself as a price setter, choosing the price of its product, rather than a price taker” (Krugman and Obstfeld, 2006 p.110).

One of the most recent international trade theories is Melitz’s trade theory. This theory stated that international trade is affected by intra-industry factors. The Melitz extend Krugman theory and explain that companies could get more benefits if they cooperate with other companies around the world. However, as stated by Melitz enter in the market can just productive firms *“trade will induce only the more productive firms to enter the export market (while some less productive firms continue to produce only for the domestic market) and will simultaneously force the least productive firms to exit”* (Melitz, 2003 p.1718).

As a resume, there are many trade theories evolved over the years in the international trade. Classical and modern trade theories were presented (see Table 4). Classical trade theories are based on countries participating in international trade and benefits from international trade. However, most of the classical theory is not usefully our days. The modern trade theories are popular now because there analysed current trade situation, recently are New Trade Theory and Melitz’s trade theory. These theories established new assumptions of imperfect competition and economies of scale. As maintained by these theories the international market can bring a lot of benefits, however just only productive firms can enter the market.

Table 4 Evolution of trade theories (author's construction)

	Evolution of trade theories:	Description of the theory:
Classical trade theories	Mercantilist - 15 th – 18 th century.	<ul style="list-style-type: none"> to get more benefit from international trade country should export more than import; high tariffs on imported goods; taxes must be paid at the border when a good is imported;
	Absolute Advantage - 19 th century.	<ul style="list-style-type: none"> different countries produce some goods more efficient than other; to get more benefit from international trade, each country must have a product that is absolutely productive than its trading partner;
	Comparative Advantage 19 th century.	<ul style="list-style-type: none"> all countries benefit from trade and have a comparative advantage in some industries; to get more benefit, international trade countries should specialise in goods in which their productive advantage is most significant; free trade is beneficial;
	Heckscher-Ohlin 20 th century.	<ul style="list-style-type: none"> factor endowment is resources like land, labour and capital to which the country is endowed; free trade is beneficial; the country will export the products which can make cheaper than other countries and import products which require expensive factors;
Modern trade theories	New trade theory 20 th century,	<ul style="list-style-type: none"> the results of the economics of scale can arise mutually beneficial trade; companies can benefit from the imperfect competition by influence on the prices of their products
	Melitz's trade theory 21 st century.	<ul style="list-style-type: none"> intra-industry causes international trade; most productive firms export their products or services while less productive companies produce only for the domestic market and the least productive companies are obliged to leave the market.

1.2 Classification of Tariff and Non- Tariff Barriers

The international trade is relevant and essential part of all nations economic development policy. Written records of trade regulations at the domestic and international level can be found even in ancient texts from China, India, the Middle East, Greece, and Rome (Lupien, 2002). International trade between Lithuania and Scandinavian countries is regulated at the multilateral level by the World Trade

Organisation (WTO) and by Europe Union treaties and directives. Many national and international steps have been taken to encourage free and fair global trade. However international trade in the 21st century faces fewer tariffs barriers but has seen a new form of restriction like non-tariff barriers that affect the movement of goods and services. To eliminate trade obstacles which have an impact on trade, Europe Union defined rules and regulation procedures to avoid non-tariff barriers and to strengthen trading flows. (Kurtovic, 2013).

One of the main Europe Union Treaty is Treaty on the Functioning of the European Union. The freedoms of the European Union are enshrined in this Treaty and developed by others EU institutions. The four freedom of the Europe Union is freedom of movement of goods, people, services and capital over borders. The main aim of these freedoms is to remove trade barriers and stabilise national rules at an EU level. These principles have been a key element in creating and developing the Europe Union internal and external market.

The first freedom is the freedom of movement for workers. This freedom is one of the central principle of the EU for workers and laid down in Article 45 of the Treaty on the Functioning of the European Union. The Article 45 of of the Treaty on the Functioning of the European Union stated: “*abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment*”. The freedom of movement for workers gives EU migrant the right to live and work in any EU member states (Treaty on the Functioning of the European Union, art.45, 2012) The second freedom is the free movement of goods. This freedom is a necessary principle of the Treaty established in Articles 28–30 of the Treaty on the Functioning of the European Union. This freedom is protected through the removal of customs duties and other trade barriers. It goals to create an area without internal borders in which goods can move easily as in a national market (Treaty on the Functioning of the European Union, art. 28-30, 2012). Free movement of services is a significant principle of the Treaty enshrined in Article 49 and Article 56 of the Treaty on the Functioning of the European Union. Free movement of services permits EU companies to create services in other EU countries and provide services in other countries. Services are vital to the single market and account more than 70% of wholly economic activity in the EU (Treaty on the Functioning of the European Union, art. 40 and art. 56, 2012). The free movement of capital is most recent and broadest of all Treaty freedoms. Free movement of capital is an important principle of the Treaty enshrined in Article 63 of the Treaty on the Functioning of the European Union. This freedom of free movement of capital bans limitations on capital movements between member states. It also applies to capital movements among

member states and third countries (Treaty on the Functioning of the European Union, art. 63, 2012). The main aim of Europe Union is to guarantee that all these freedoms would be implemented in all European countries. These key principles enshrined in EU treaties should ensure that trade barriers cannot exist at a EU level.

However, in today's world, limitations on the flow of goods and services in international trade are widespread. The Government implement numerous different actions toward international trade. The trade barriers can take many forms, the oldest and simplest trade barriers is tariff and non-tariff barriers. According to Root, 1990, p 166, tariff is "*a tax imposed by a government on physical goods as they move into or out of a country*". According to Dunn and Mutti, 2004 tariffs are the most noticeable trade barrier, tariffs cause a raise in import prices and decrease economic well-being for both customers in the importing states and exporters. (Dunn and Mutti, 2004).

Most trade barriers are placed by governments in order to restrict trade between countries. Other tariff barriers work on the principle: the obligation of some kind of cost on trade that raises the price of traded products. Usually, tariffs are imposed on imported goods, although they may also be imposed on exported goods. This part considers two types of restrictions- tariff and non-tariff barriers and their impact on international trade between countries. There are various types of tariff barriers. Figure 1 illustrates the main types of tariff barriers. The tariff barriers can be applied to various purposes. The revenue tariff barriers usually are expressed as a set of rates proposed to raise money for the government. For example, revenue tariff on bananas imports imposed by countries where bananas cannot be grown. The protective tariff barriers charged on imports to protect domestic productions from foreign competition. For example, a protective tariff is levied on imported shoes, which cost the same 25 euros in Lithuania and Italy. Lithuanian government would be having to impose a tariff for Italy shoes, in order to protect domestic production.

One of the most used tariffs is ad- valorem tariff barriers, which are expressed concerning a set percentage of the value of the imported good. For example, ad- valorem tariff of 15 percent is levied on the imported computer by Germany on France. So, Germany importer of a France computer valued at 1000 euros would be required to pay a tax of 150 euros to the government. Another type of tariff barrier is non-valorem tariff barriers, non- valorem tariff barriers can be divided into:

- Specific tariff barriers- expressed as a fixed amount of money per unit of the imported goods. For example, the specific tariff would be a 50\$ charged by the U.S on Lithuania. Lithuanian mobile phone

firm may be required to pay a taxes to the U.S government of 50\$ per mobile phone, regardless of the mobile phone price.

- Mixed tariff barriers- expressed as either a specific or an ad valorem trade barriers.
- Compound- include both ad valorem and a specific component. For example, Lithuanian charges 0.55 per litre of some petroleum products plus 25 percent ad valorem.

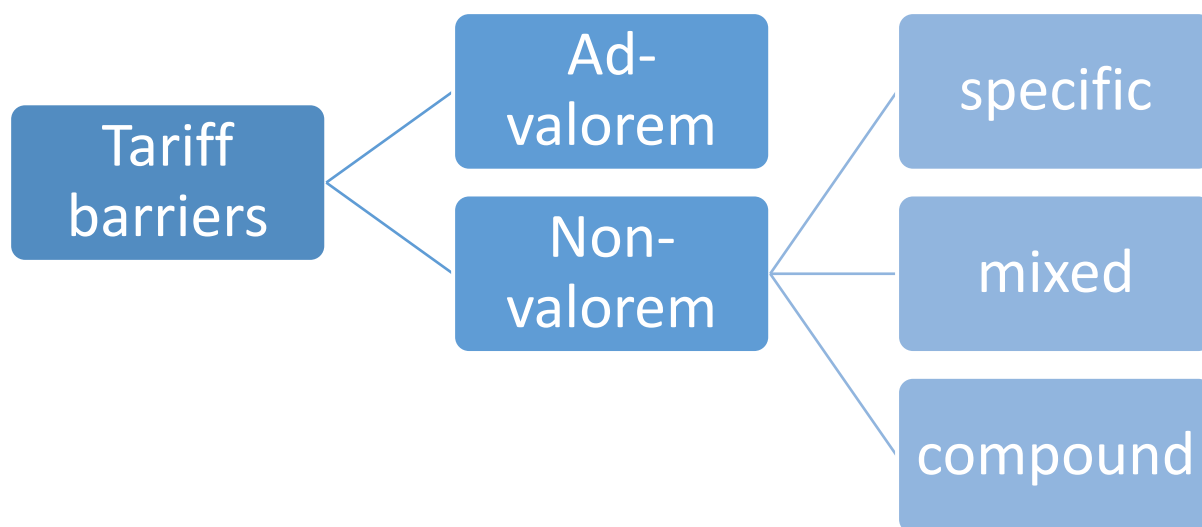


Figure 1. Classification of tariff barriers.

Source: author’s construction based on Carbaugh, 1998).

The second group of trade barriers is non-tariff barriers. In the past decade's import tariffs have fallen. However, countries governments have found other ways of protecting domestic industry from foreign competition. The term non-tariff trade barriers were start used from the early sixties. According to Stentzel, 1972 non-tariff barriers is “*numerous rules, regulations, and restrictive practices imposed and operated by government departments and semi-official bodies which exert a more or less strong Influence on the volume, the directions, and the composition of foreign trade*” (Stentzel, 1972 p. 240) Many of non-tariff barriers which exist are not new and have been used as methods of controlling imports from the very beginning of foreign trade. The non- tariff barriers appeared from changes in world trade regulation “*non-*

tariff barriers have arisen as a result of particular developments in the rules and procedures for regulating world trade” (Nigel, 2001 p.78). According to Nigel, 2001 non-tariff barriers have arisen mostly as a side effect; as governments have become more involved in the economy implementation and the regulation of markets.

Hayakawa and Kimura, 2015 stated that if assume a one percent decrease in tariff rates and the non-tariff barriers increases trade by the same proportion. The result of their study presented “*a larger reduction in non-tariff barriers imply that the main source of international trade creation effects is the reduction of non-tariff barriers rather than the reduction of tariff rates*” (Hayakawa and Kimura, 2015 p. 726). The three main reason how countries determine non-tariff barriers was presented by Okumura, 2015. According to the Okumura, 2015 the first reason is that the countries determine the number of foreign firms that can enter the country “*in the real world, the government of a country can control the number of firms entering the country by prohibiting foreign firms without the required import license*” (Okumura, 2015 p. 234). The second reason that the countries determine the import share quotas for the foreign companies “*the government of a country allocates a shared quota to a foreign firm, and the firm cannot increase its share more than the share quota level in the country*” (Okumura, 2015 p. 234). The third reason presented by Okumura is that the countries use technical measures, which can raise the marginal costs of foreign firms. For example, the governments of the countries set customs procedures are long and complicated. (Okumura, 2015). Lupien, 2002 in his paper perform the main problem of non-tariff barriers he stated that non-tariff barriers “*particularly harmful to developing countries that are trying to improve national economies and access to food by poorer population groups by an orderly but dynamic development of agricultural resources and food trade*” (Lupien, 2002 p. 404)

Kurtovic, 2013 showed the other side of non-tariff barriers. He in his paper present that non-tariff barriers do not always mean limitations in trade sometimes it can make the positive effect on international trade. He stated that in some cases barriers could initiate a trade. “*influence positive on strengthening consumer’s confidence regarding imported goods because imported goods should fulfil necessary standards and rules. Technical barriers also influence positively on exporters because they obtain necessary information about consumer’s preferences, simultaneously decreasing costs of collection information of that type*” (Kurtovic, 2013, p.15) Despite this fact that sometimes non-tariff barriers can make the positive effect on international trade, but the most scenario is that the implementation of non-tariff barriers in trade often causes limitations in trade.

The non-tariff barriers became an essential tool for the protection of domestic industry, consider that tariffs are annulled. Non-tariff barriers may take a broad range of different forms; certain types of non-tariff barriers have become more important in the recent year than others. Table 3 summarises and explain the most important and used types of non-tariff barriers.

Table 5 Examples of Non-Tariff barriers (compiled by the author)

Non- Tariff barriers	Explanation
Import bans	<i>“a ban on the importation of certain products from a certain country into the home country”</i> (Business dictionary, 2017 online)
Bribery and corruption	<i>“Bribery is the act of taking or receiving something with the intention of influencing the recipient in some way favorable to the party providing the bribe.”</i> (Business dictionary, 2017 online)
Corrupt customs procedures	Corrupt customs procedure of movement of goods and services between two countries territory.
Seasonal import regimes	Import regimes based on season time.
Restrictive licenses	Licenses requirements only for imports of products.
Buy national policy	Extended preferences to domestic suppliers in the form of buy national policies through explicit laws openly discriminates against foreign suppliers in its purchasing decisions (Carbaugh,2008 P.172).
Inadequate infrastructure	Unsuitable infrastructure for trading.
Foreign exchange controls	Control of foreign exchange services by a government on the import/export of foreign.
Product classification	Requirements for import products according to some exhibited characteristic or set of characteristics.
Fixation of a minimum import price	By government fixed minimum price on import or export
Export subsidies	<i>“Subsidies on goods and services that become payable to resident producers when the goods leave the economic territory or when the services are delivered to non-resident units”</i> (OECD, 2017)
Import licenses	The rules settled by country government which allows an importer to bring certain types of goods into a country (Oxford English Dictionary (OED), 2017)
Rules of origin	Rules of origin are the criteria needed to determine the national source of a product (WTO, 2017)
Quality conditions imposed	Measures defining the information directly related to goods or services quality conditions, which should be carried out (United Nations Conference on Trade and Development, 2012)

Packaging conditions	<i>“Measures regulating the kind, colour, and size of printing on packages and labels and defining the information that should be provided to the consumers”</i> (Cadot, Malouche, Sáez, 2012 p.136).
Labeling conditions	Measures defining the information directly related to food safety, which should be provided to the consumer (Cadot, Malouche, Sáez, 2012 p.136).
Product standards	Established requirements for standard sizes and types of various products.
Determination of eligibility	Special rules on products or services which must be follow.
Additional trade documents	The documents based on the country-specific, regulations and means of transportation.

As a resume, the four freedoms of the European Union are established in Treaty on the Functioning of the European Union. The major purpose of these freedoms is to guarantee free movement of goods, people, services and capital over borders. The EC determined these freedoms in order to eliminate trade barriers and to harmonise the international relations between countries. Despite this, the boundaries which restrict the flow of goods and services in foreign trade are widespread. Governments approve and implement different actions (regulations, conditions, restrictions or specific requirements) in order to limit international trade. One of way is non-tariff barriers application. The non- tariff barriers usually are used to protect domestic industry from competition and

2. TENDENCIES IN TRADE RELATIONS BETWEEN LITHUANIA AND SCANDINAVIAN COUNTRIES

International trade within and between different countries has been in existence for thousands of years. During a period of global economic integration and globalisation, international trade is developing and increasing speedily. Lithuania is an inseparable part of this process. International trade and economic cooperation are one of the primary cause for all countries economic growth especially for smaller countries like Lithuania. The Scandinavians countries- Norway, Sweden and Finland- economic indicators are one of the biggest in all the world. The Scandinavian countries are among the leading import and export partners to Lithuania. In past decades' foreign direct investment in Lithuania grew up faster and Scandinavian countries were the significant influence on this growth. In past five years, foreign direct investment in Lithuania from Scandinavian countries has doubled and in 2016 totalling it was over 4 billion euros. To remain in the international trade and acquire recognition from the other countries, Lithuania should promote a strong relation and mutual understanding with foreign partners. (Vijeikis and Macys, 2010) This chapter will present statistical data on trade relations and trade tendencies between Lithuania and Scandinavian countries.

2.1 Trade relations between Lithuania and Norway

Norway is essential export and imports partner of Lithuania. According to the data provided by Statistical Office of Lithuania in 2016 goods turnover between Lithuania and Norway were 1028 million euros and it was the biggest goods turnover from 2010. Figure 2 shows that Export to Norway increased every year (from 2010 until 2016). In 2016 goods were exported to Norway in the sum of 685 million Euros. The biggest part of exported goods to Norway were the goods of Lithuanian origin, and it was exported in the amount of 628 million Euros. Lithuania imported goods from Norway in the sum of 343 million Euros. Lithuanian's balance of trade with Norway is positive. (see figure 2). As well as Norway is an important trade partner to Lithuania, also Norway is significant investment partner to Lithuania. In 2016 foreign direct investment in Lithuania from Norway worth 919. 18 million euros and Norway was the fourth largest investor in Lithuania after Sweden, Netherlands, Germany. The fields of the Lithuanian economy that have seen the highest levels of investment from Norway are real estate sectors, financial and insurance. The most famous Norway investors in Lithuania are DNB, Jotron, Kitron, Lindorff, Cirkle-k, Boen and Atea. In 2016 direct investment in Norway from Lithuanian amounted just 1. 56 million euros, and it is 917. 62 million euros less than Norway invested in Lithuania.

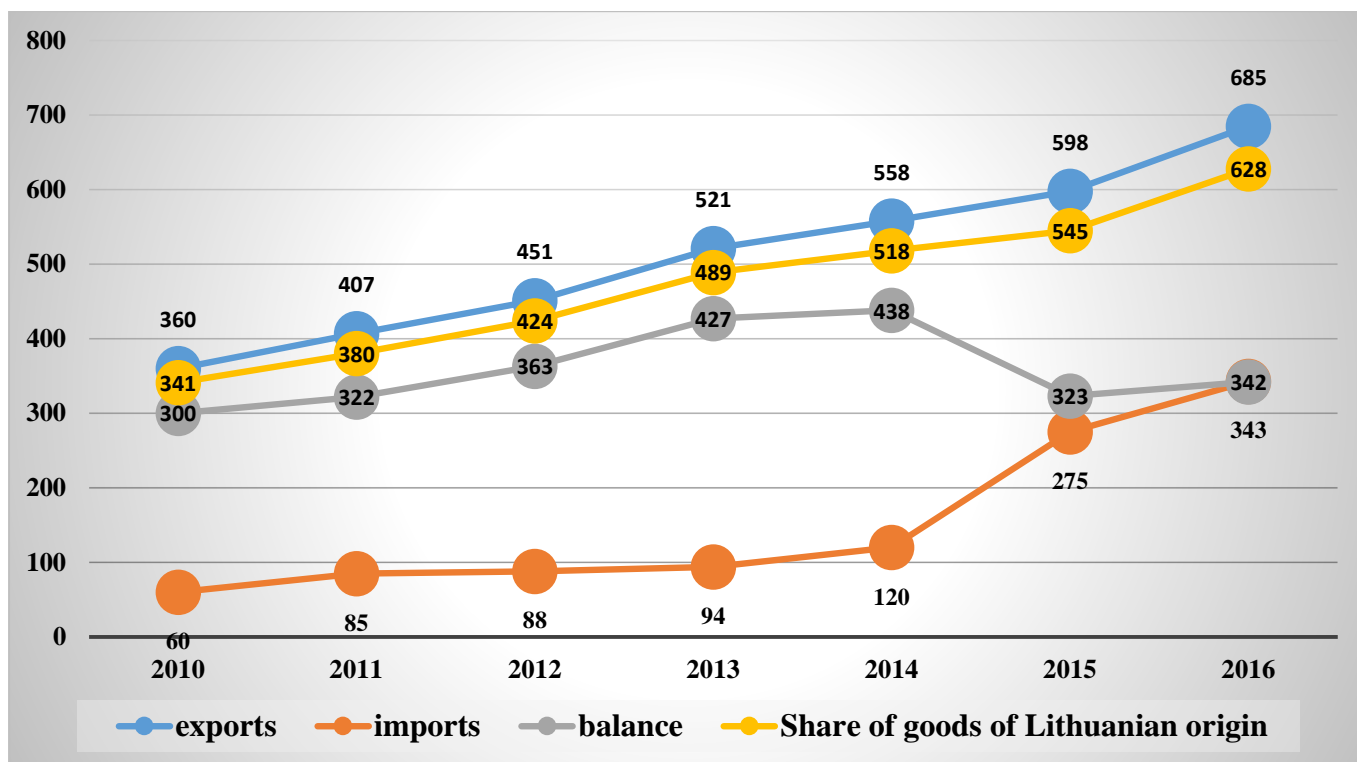


Figure 2. Trading of goods between Lithuania and Norway in 2010- 2016 period.

Source: author's construction based on statistical Office of Lithuania data (2016).

In 2016 primary export article exported from Lithuania to Norway were furniture's worth 198.7 million euros, which was 32% of the total export goods of Lithuanian origin to Norway. In 2016 compared to 2010, the export of furniture's to Norway increased by 133.9 million euros. The share of other articles remained 28%, that amounted 104.1million euros. The next major export articles were wood and article of wood worth 58.7 million euros, which consisted 9% of the total export goods of Lithuanian origin. If compared to the year 2010, the wood and article of wood increased by 25.3 million euros. Other significant articles exported to Norway were articles of iron and steel accounted 50.8 million euros, which was 8% of the total export goods of Lithuanian origin. Other export article exported from Lithuania to Norway were mineral fuels and mineral oil worth 47.8 million euros and formed at 8% export of goods of Lithuanian origin to Norway. In 2016 compared to 2010, the export increased by 20,2 million euros, however from 2011 until 2015 the export of mineral fuels and mineral oil worth 0 euros.

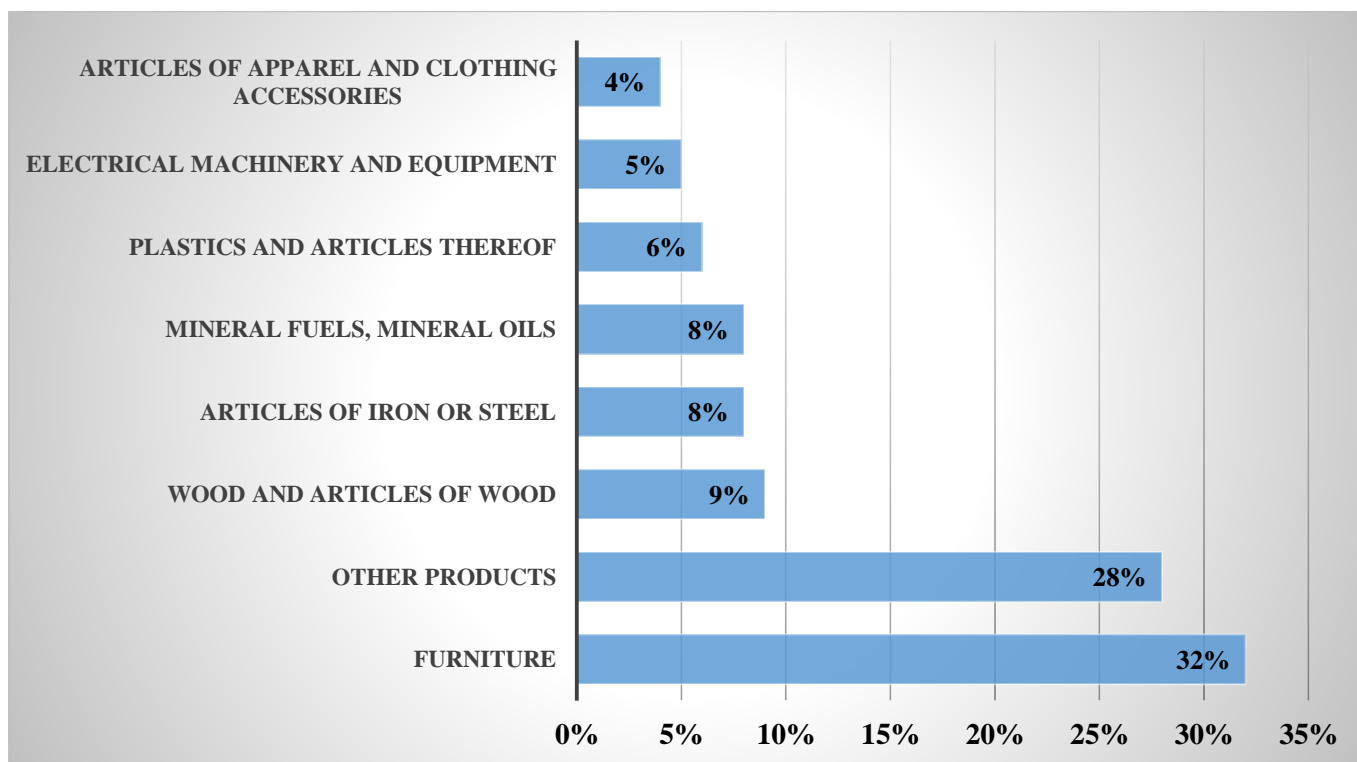


Figure 3. Main articles exported from Lithuania to Norway in 2016 by percentages.

Source: author's construction based on statistical Office of Lithuania data (2016).

Figure 4 illustrates main articles imported from Norway to Lithuania in 2016. The major articles imported from Norway to Lithuania were mineral fuels, and mineral oil gained 224.4 million euros, which comprised 65% of the total amount of goods. In 2016 compared to 2010, the import of mineral fuels and mineral oil increased by 224.4 million euros, from 2010 until 2014 the mineral fuels and mineral oil worth 0 euros, from 2014 it grew up, and the hugest increase was in 2016. The second highest import article is fish and crustaceans, molluscs and other aquatic invertebrates remained 11%, and that amounted 47,2 million euros. The import of fish and crustaceans, molluscs and other aquatic invertebrate's products tended to grow, in 2016 compared to 2010, the import increased by 32,3 million euros. The import of machinery and mechanical appliances from Norway to Lithuania worth 11,2 million euros and that formed only at 3% imported an article from Norway to Lithuania. (see Figure 4)

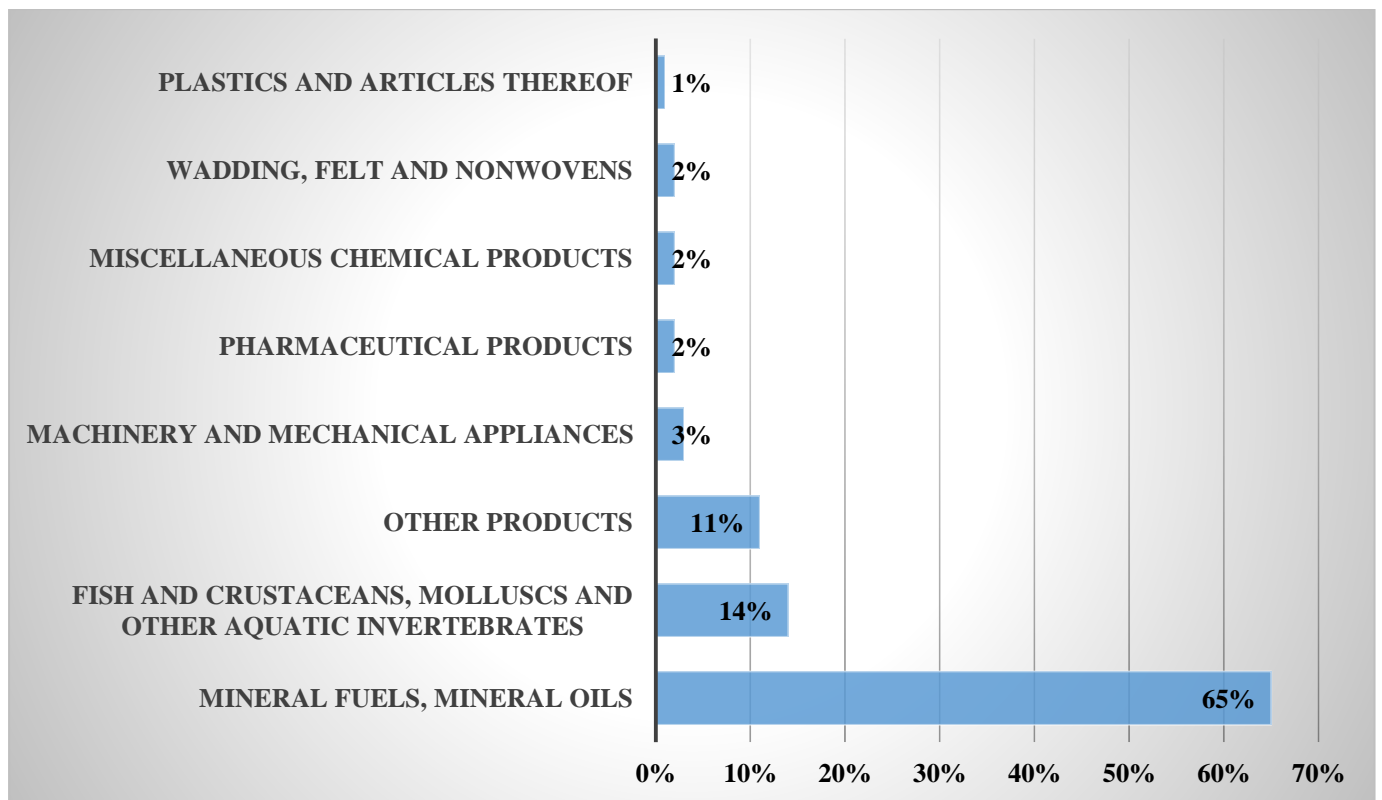


Figure 4. Main articles imported from Norway to Lithuania in 2016, by percentages.

Source: author's construction based on statistical Office of Lithuania data (2016).

2.2 Trade relations between Lithuania and Sweden

Trade relations between Lithuania and Sweden is well developed. In 2016 Sweden was Lithuania's seventh biggest export partner and the leading foreign investor in Lithuania. According to the data provided by Statistical Office of Lithuania, in 2016 Lithuania and Sweden goods turnover were the hugest goods turnover from 2010, the sum was 2167 million Euros. There was no significant difference between export and imports. Figure 5 shows that the export and import increased every year from 2010 until 2016. In 2016 Lithuania exported goods to Sweden in the sum of 1075 million Euros. The goods of Lithuanian origin exported to Sweden in the sum of 929 million Euros. Lithuania imported goods from Sweden in the sum of 1092 million Euros. The trade balance in 2016 between Lithuania and Sweden was negative. (see figure 5). In 2016 most income from foreign direct investment in Lithuania was earned by Sweden amounted 2,49 billion euros. The most significant foreign direct investor flow in Lithuania from Sweden accounted for financial and insurance activities, information and communication activities and real estate sectors. The most famous Sweden investors in Lithuania are Telia, Swedbank, SEB, ABB, Systemair,

TeliaSonera, IKEA, Scania, Sweco. Lithuanian direct investment to Sweden amounted – 9,2 million euros.

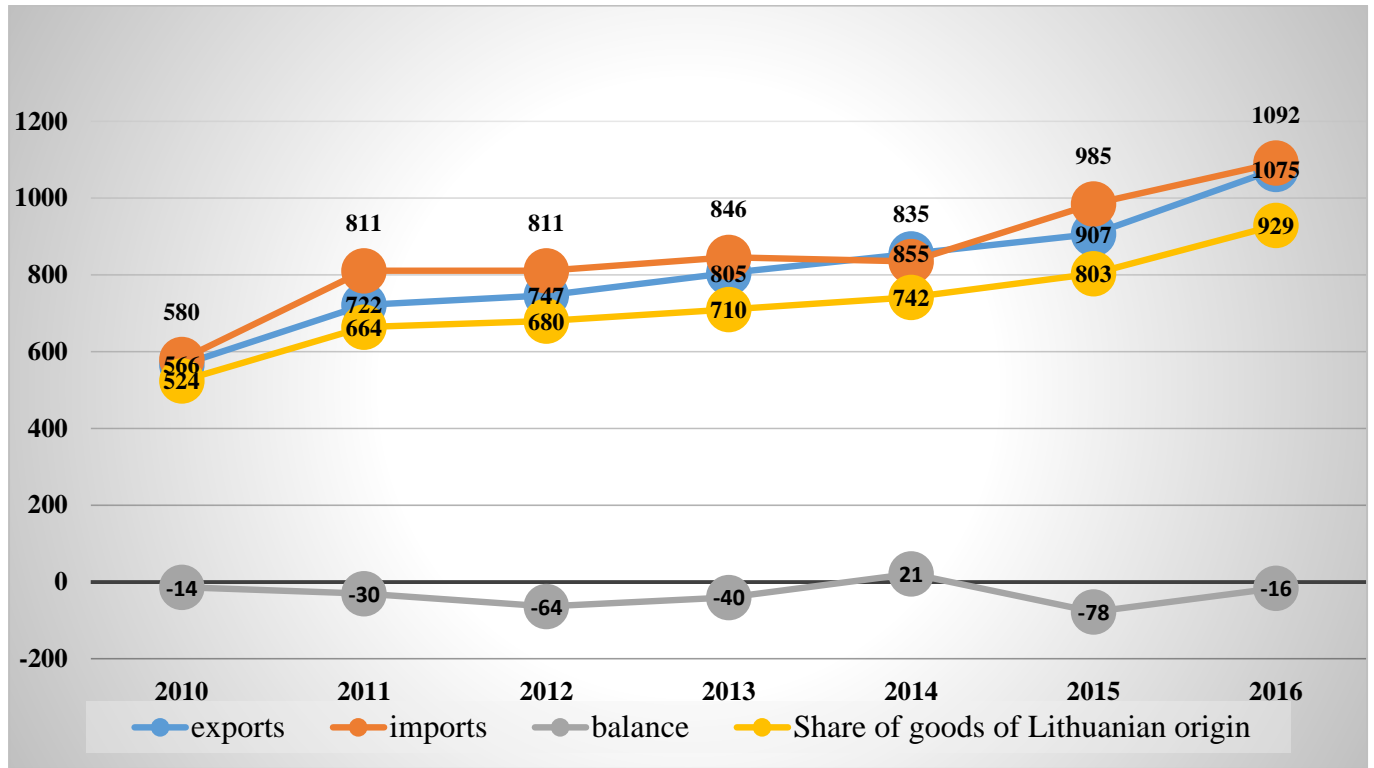


Figure 5. Trading of goods between Lithuania and Sweden in 2010- 2016 period.

Source: author’s construction based on statistical Office of Lithuania data (2016).

Figure 6 demonstrates main articles exported from Lithuanian to Sweden. The major export article exported from Lithuanian to Sweden in 2016 were furniture, amounted to 286.8 million euros, which made up 31 % of the total export goods of Lithuanian origin to Sweden. In 2016 compared to 2011, the export of furniture’s from Lithuania to Sweden made up by 140.1 million euros. The less part exported goods of Lithuanian origin to Sweden were plastics and plastics articles. These kinds of exported goods amounted 67.1 million euros, which comprised 7 % of the total amount of goods of Lithuanian origin exported from Lithuanian to Sweden. In 2016, compared to 2011, an increase in exports of goods of Lithuanian origin was 16.5 million euros. Electrical machinery and equipment amounted to 67.1 million euros or 7% of the total amount of goods of Lithuanian origin exported from Lithuanian to Sweden in 2016. Electrical machinery and equipment export from Lithuanian to Sweden in 2016, up by 27.2 million euros since 2011. Other essential articles exported from Lithuanian to Sweden were tobacco, and manufactured tobacco substitutes amounted to 62.3 million euros, which made up 7 of the total export

goods of Lithuanian origin to Sweden in 2016. In 2016, compared to 2011, the export of these articles increased up by 12.6 million euros.

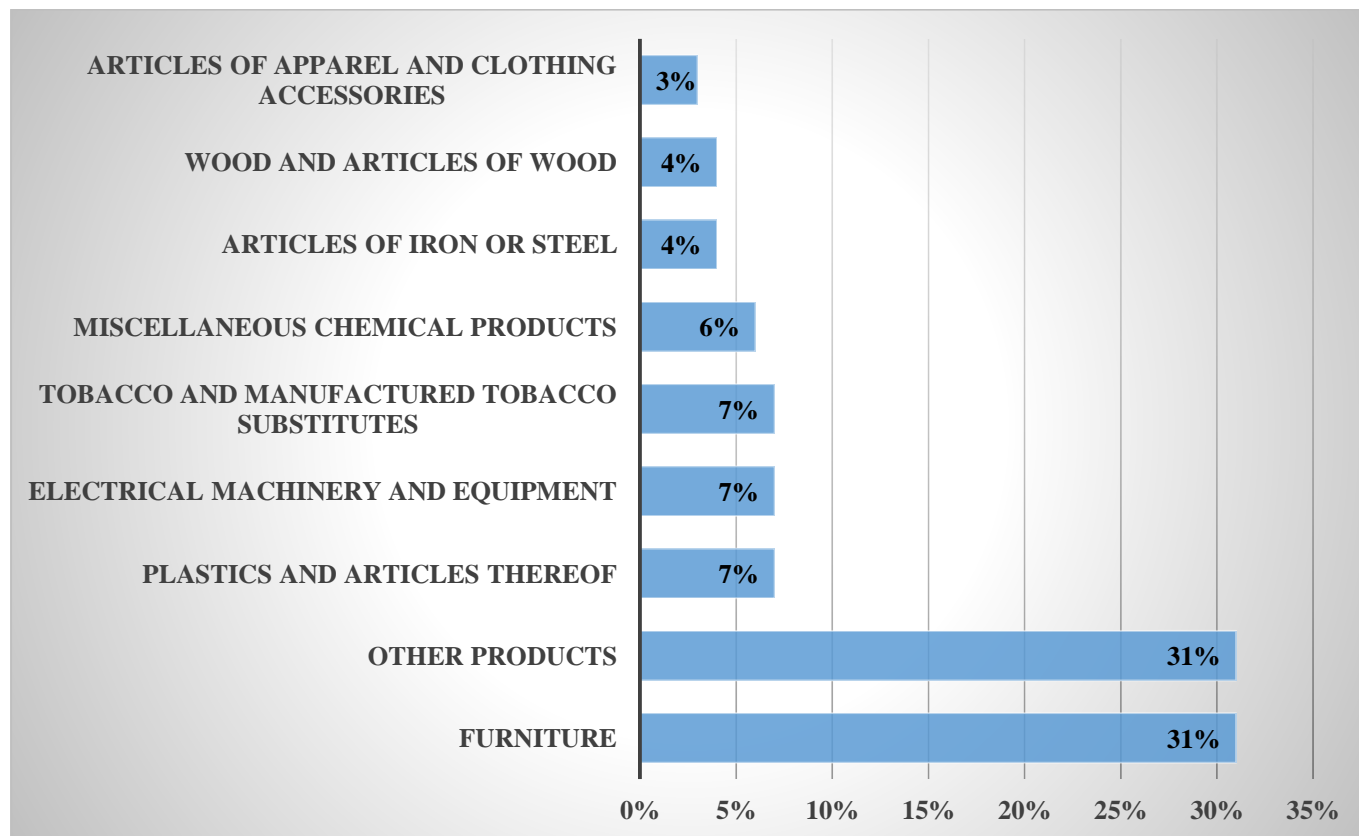


Figure 6. Main articles exported from Lithuania to Sweden in 2016 by percentages.

Source: author's construction based on statistical Office of Lithuania data (2016)

Figure 7 shows main articles of goods of Lithuanian origin imported from Sweden to Lithuania in 2016. The primary article groups imported from Sweden to Lithuania were fish, crustaceans, molluscs and other aquatic invertebrates amounted 215.1 million euros, which made up 20 % of the total imported goods from Sweden to Lithuania. In 2016 compared to 2011, the export of fish, crustaceans, molluscs and other aquatic invertebrates increased by 134.6 million euros, and it was the largest rise from 2011. The second important articles imported from Sweden to Lithuania in 2016 were vehicles that comprised 14% of the total imports from Sweden. In 2016 compared to 2011, import of these goods increased by 6.5 million euros. The next relevant articles were mineral fuels and mineral oils. The import value of these goods if compared to the year 2011, increased by 65 million euros. In 2015, the import value of these goods dropped almost by 112.9 million euros. Despite the decline, in 2016 mineral fuels and mineral oils

imports comprised by 115.6 of the total value of imports from Sweden. In the fifth place of articles imported to Lithuania from Sweden in 2016 were electrical machinery and equipment. The electrical machinery and equipment amounted to 99.3 million euros and took about 9% of the total amount of goods imported to Lithuanian from Sweden. In 2016 compared to 2011, the import value of electrical machinery and equipment dropped by 64.4 million euros.

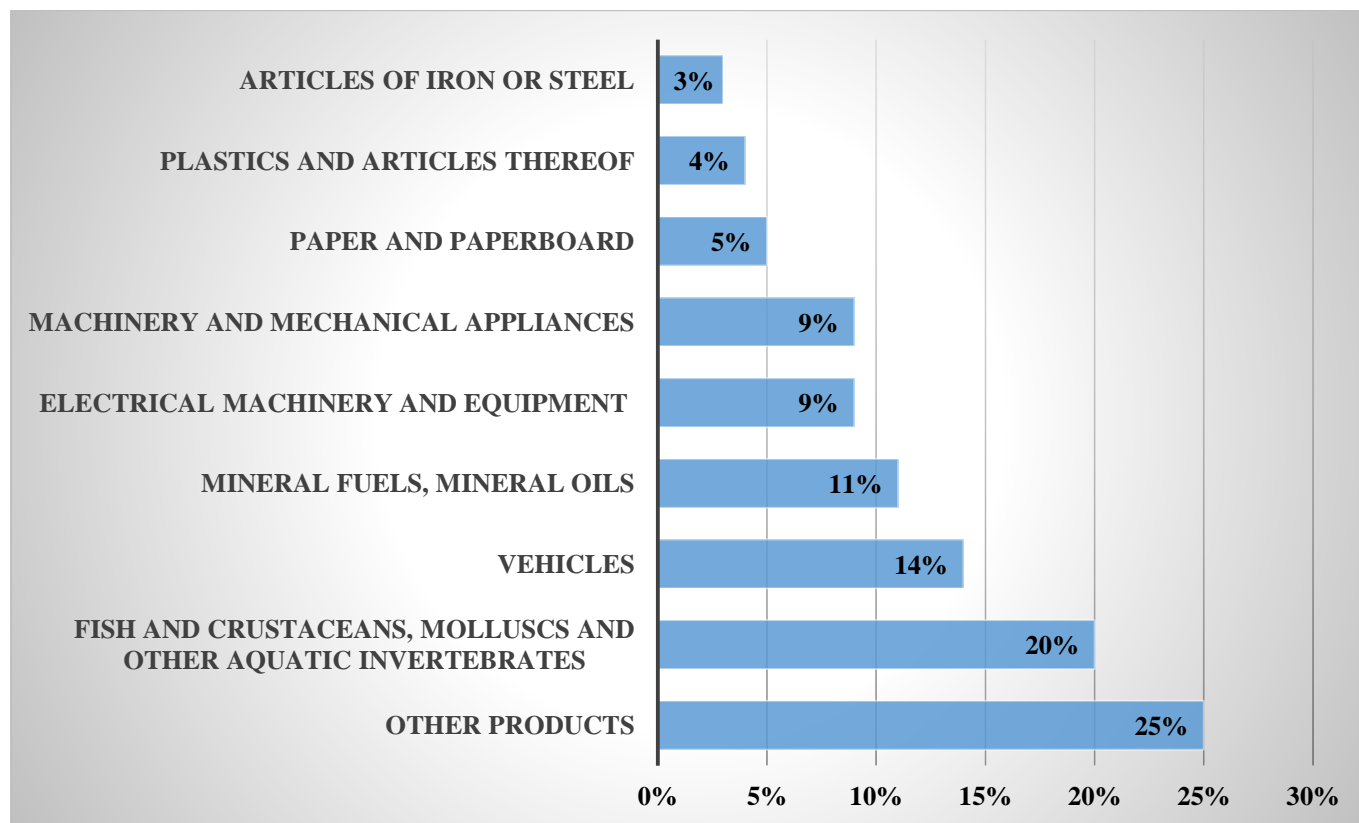


Figure 7. Main articles imported from Sweden to Lithuania in 2016 by percentages

Source: author's construction based on statistical Office of Lithuania data (2016).

2.3 Trade relations between Lithuania and Finland

Although Lithuanian and Finland goods turnover in 2016 was not the largest while comparing Lithuania's trade with other Scandinavian countries, but still Finland is an important trade partner for Lithuania. In 2016 Finland was 16th Lithuania's export and 14th import partner. According to the data provided by Statistical Office of Lithuania, the goods turnover between Lithuania and Finland increased every year from 2012 until 2015. In 2015 the sums of the goods turnover were 931 million euros. During the period from 2010 until 2015 Lithuania has imported more goods from Finland than exported there.

The figure 5 shows that in 2015 Lithuania imported goods from Finland in the sum of 577 million euro; however, Lithuania exported goods to Finland only in the sum of 354 million euros. The group of goods of Lithuanian origin was the most prominent part of exported goods to Finland, and it consisted in the sum of 278 million Euros. From 2010 until 2015 the trade balance with Finland was negative. (see figure 9). Analysing foreign direct investment from Finland to Lithuania, in 2016 Finland invested to Lithuania 574.28 million euros. In 2014 Finland became the ninth biggest foreign direct investor in Lithuania. In 2016, Finland major investments flowed into the finance and insurance sectors, manufacturing and scientific research in Lithuania.

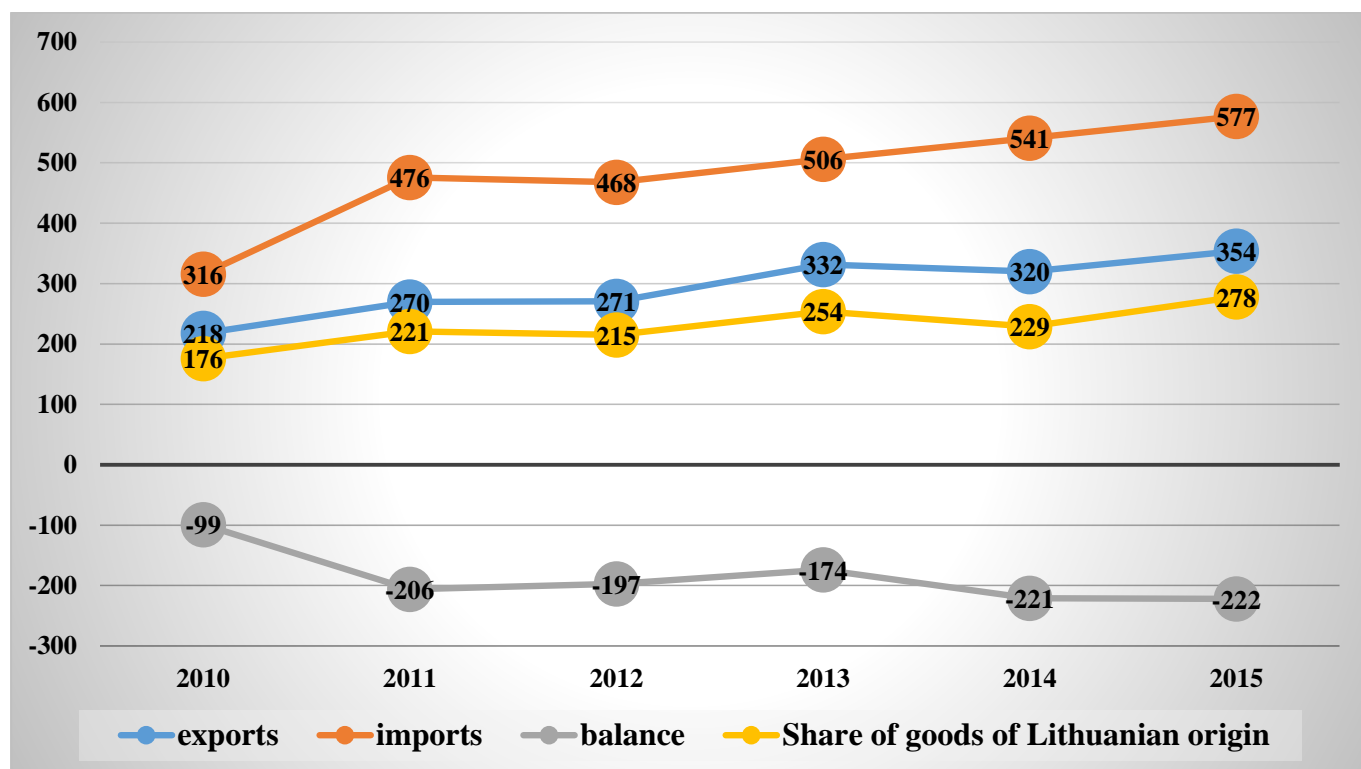


Figure 9. Trading of goods between Lithuania and Finland in 2010- 2015.

Source: author's construction based on statistical Office of Lithuania data (2015).

Figure 10 demonstrates main articles exported from Lithuania to Finland. In 2015 by far the largest categories was plastics and articles thereof. These articles comprised 13% of exports of the total goods of Lithuanian origin to Finland and amounted to 12.6 million euros. In 2015 compared to 2010, the export of plastics and articles thereof increased by 12 million euros. The second relevant article were articles of iron or steel, which comprised 13% of exports of the total goods of Lithuanian origin to Finland and amounted

to almost 35.2 million euro. In 2015 the export of these products mainly increased to 27.5 million euros if compared to the year 2010. The third relevant article was tobacco and manufactured tobacco substitutes which comprised 10% of the total goods of Lithuanian origin to Finland. These goods in 2015 amounted to 28.5 million euros. Every year from 2010 to 2015 the export of these good had tendencies increased or decreased. Comparing 2010 to 2015, the export of tobacco and manufactured tobacco substitutes decreased by 5.1 million euros. The largest declined was in 2014 compared to 2013 by 24.1 million euros. Next important article exported from Lithuanian to Finland in 2015 were furniture, amounted to 19.7 million euros which made up 7 % of the total export goods of Lithuanian origin to Finland. Every year from 2010 to 2015 these article export increased. In 2015 compared to 2010, export of furniture increased by 7.6 million euros.

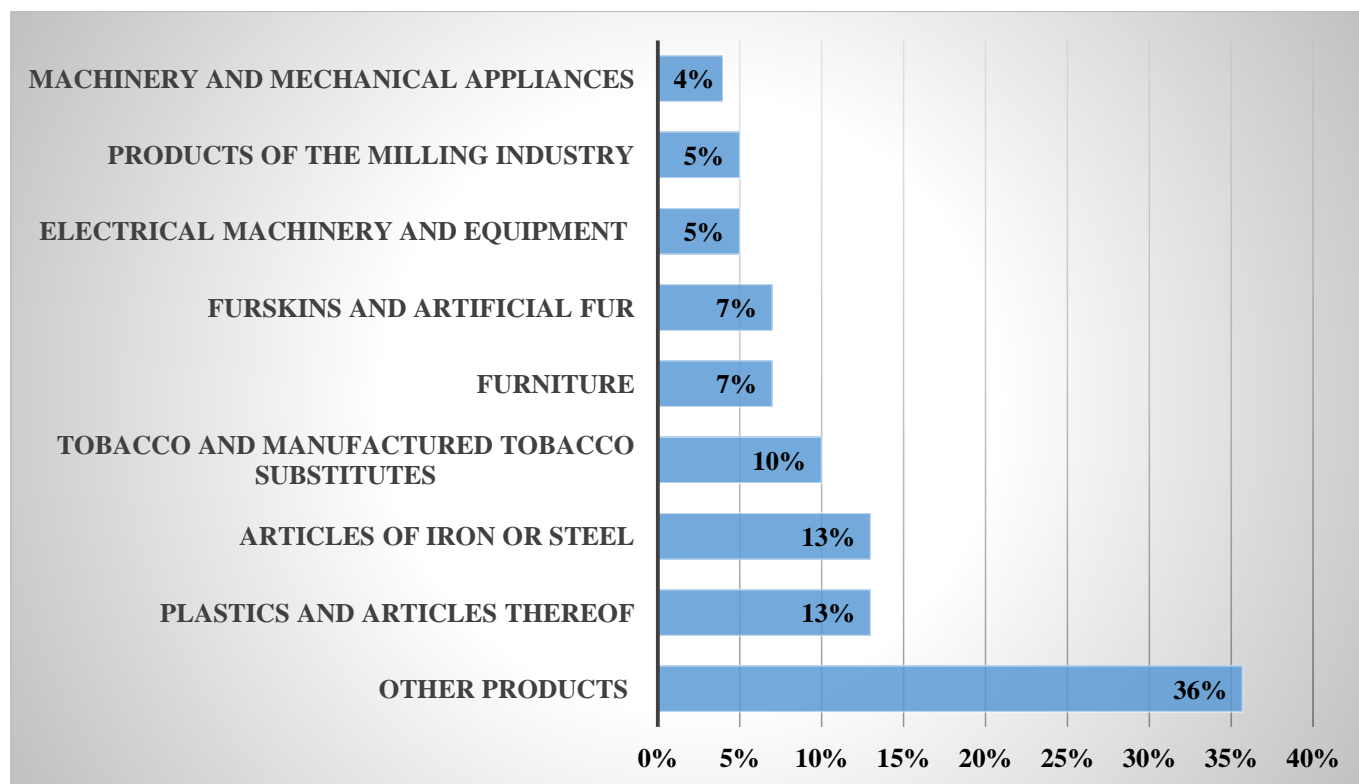


Figure 10. Main articles exported from Lithuania to Finland in 2015 by percentages

Source: author's construction based on statistical Office of Lithuania data (2015).

In 2015 Lithuania imported goods from Finland in the sum of 577 million euro. As figure 11 shows the major articles imported from Finland to Lithuania were mineral fuels and mineral oils. These articles export amounted to 116.9 million euros, which made up 20 % of the total import of goods from Finland to Lithuania. In 2015 compared to 2011, the export of mineral fuels and mineral oils increased by

107.6 million euros, and it was the biggest increased from 2010. The other significant article in 2015 imported from Finland to Lithuania were machinery and mechanical appliances. These articles had a share of 19% in total imports from Finland. The value of machinery and mechanical appliances amounted to 112.5 million euros, which was 61.3 million euros more than in 2010. The next great article imported from Finland to Lithuania in 2015 were electrical machinery and equipment. That comprised 10 % and amounted 59.5 million euros of the total imports from Finland. Imports of these products, decreased by 18.2 million euros, compared to 77.7 million euros in 2010. The vehicles other than railway or tramway rolling-stock in 2015 made up to 8% of the total goods imported from Finland to Lithuania. In 2015 imports of these products decreased by 3.7 million euro compared to 50.7 million euros in 2014, and reached a value of 47 million euro.

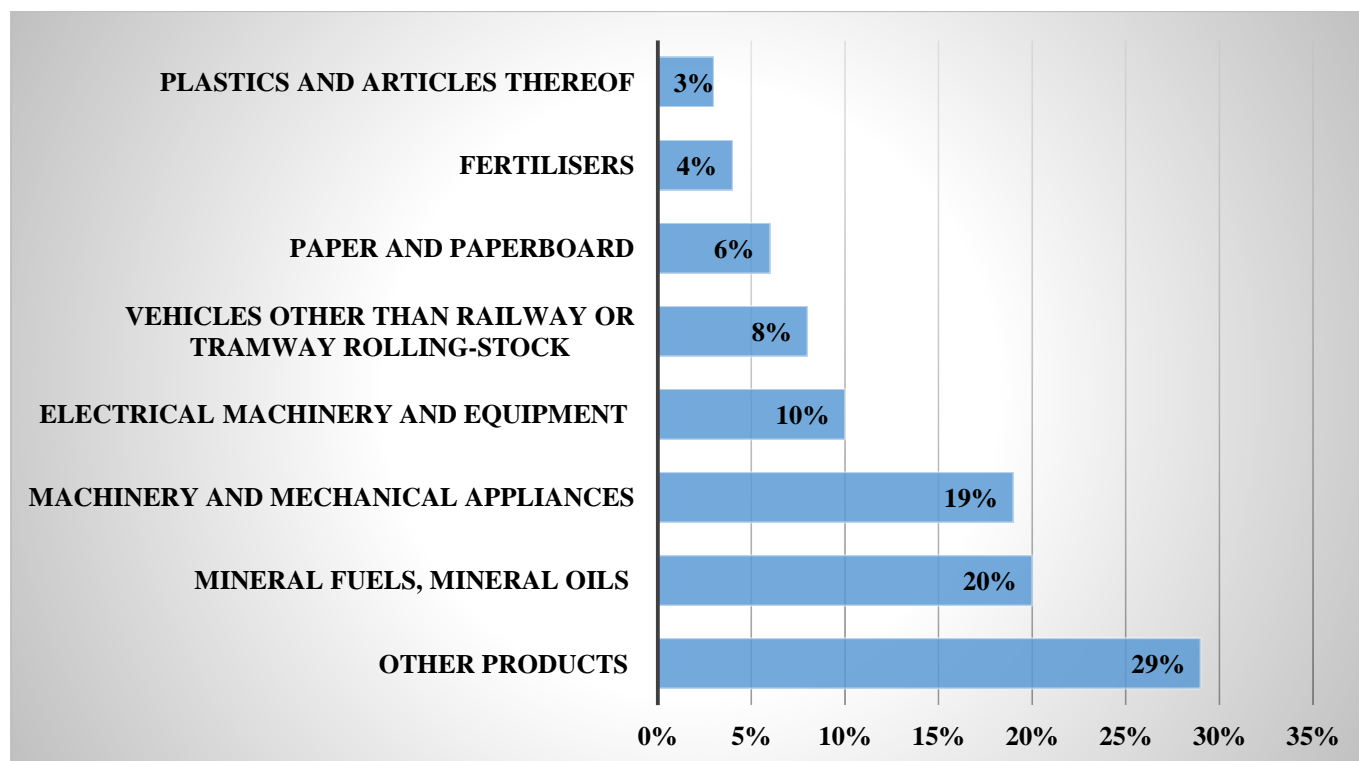


Figure 11. Main articles imported from Finland to Lithuania, 2015 (%)

Source: author’s construction based on statistical Office of Lithuania data (2015)

To sum up, statistical data shows that Lithuania and Scandinavian (Norway, Finland and Sweden) countries are closely related to each other. The trade relations between Lithuania and Scandinavian countries is important and well developed. Sweden is Lithuania’s largest foreign investor partner within the European Union. Norway and Finland are significant investment partner to Lithuania in 2016 both

countries invested in Lithuania more than 1.4 billion euros. According to the data provided by Statistical Office of Lithuania in 2016 goods turnover between Lithuania and Scandinavian countries were over 4 billion euros. The Scandinavian countries are one of the major import and export partners for Lithuania. In 2016 goods were exported to Scandinavian countries over the 2 billion euros. Lithuania imported goods from Scandinavian countries in the sum of 2.114 billion Euros. It is very important to promote trade relations with Scandinavian countries and have a strong connection between each other.

3. NON-TARIFF BARRIERS APPLICATION BETWEEN LITHUANIA AND SCANDINAVIAN COUNTRIES

International trade significantly contributes to economic growth in the EU and around the world. The European Union harmonises the international trade by eliminating tariffs on trade within all member countries. Though, the international trade faces a lot of restrictions. One of the restrictions is non-tariff barriers, which are widespread. Lithuania and Scandinavian countries are very open towards each other concerning investments and trade, which is affected by the relative absence of tariff barriers. Nevertheless, various non-tariff barriers on Lithuania and the Scandinavian countries trade relations continue to hinder trade and investment flows. In this chapter, the methodology of chosen analysis and findings from the conducted interview will be presented.

3.1 Methodology of chosen analysis

The main consideration in this research is non-tariff barriers application between Lithuania and Scandinavian countries. To reach this purpose, one of the qualitative research methods, semi-structured interview, was chosen. Qualitative research is based more on information expressed in words – descriptions, accounts, opinions, feelings and focus on small groups “*this approach is common whenever people are the focus of the study, particularly small groups or individuals, but can also concentrate on more general beliefs or customs*” (Walliman, 2006 p.129). With the semi-structured interview, it is easy to find out the respondent’s experience, feelings and own opinion about discussing the topic. The semi-structured interview was chosen because they provide a more appropriate format for discussing sensitive topics (Miles and Gilbert, 2005). According to Blandford, even the semi-interview question is planned early, but the flexibility lets change orientation during the interview question “*questions or at least themes will be planned ahead of time, but lines of enquiry will be pursued within the interview, to follow up on interesting and unexpected avenues that emerge*” (Blandford, Ann, 2013 p.23)

Sampling methods. For the purpose of this thesis, seven experts were interviewed. They were approached through different channels. Most of them were contacted through the internet; some were personal contacts. Research respondents were selected using one of the nonprobability sampling-purposive sample. Respondents were selected by one main criterion: the respondents must work in companies, which cooperates with Scandinavian countries. Nonprobability sampling was chosen in order

to select only those respondents who could provide meaningful and useful information about non-tariff barriers application in trade relations between Lithuania and Scandinavia countries.

Research instrument. For the aim of this thesis, for the respondents were conducted ten open-ended questions questionnaire. Before performing the open-ended questionnaire, existing literature was studied intensively. The gained insights were used as an inspiration for open questions in order to understand the non-tariff barriers application in trade relations between Lithuania and Scandinavian countries. In order to prepare fluent interviews, the questions were distributed into three different stages. The first interview stage “Cooperation with Scandinavian countries” finds out the company’s cooperation level with Scandinavian countries. The second stage “Non- tariff barriers application” identify the main difficulties, with which companies faced in cooperation with Scandinavian countries, and the non-tariff tarries affect level was indicated. The last stage “Opportunities for improvement Lithuanian and Scandinavian countries trade relations” gives recommendations for other companies or countries governments.

Table 6. Non-tariff barriers application in trade relations. (author’s construction)

	Interview process	Interview questions
I stage	Cooperation with Scandinavian countries	<ol style="list-style-type: none"> 1. What is your work experience in international trade sphere; 2. What is your work experience in international trade with Scandinavian country / countries; 3. What products / services are exported to Scandinavian country / countries by your company? 4. How long has your company cooperated with Scandinavian country / countries?

<p>II stage</p>	<p>Non- tariff barriers application</p>	<p>5. Are you having difficulties cooperating with Scandinavian country / countries? 6. What kind of difficulties has your company have faced? 7. In your opinion, do non-tariff barriers exist in trade relations between Lithuania and Scandinavian countries? 8. Indicate non-tariff barriers effect level. (table 1)</p>
<p>III stage</p>	<p>Recommendation for improvement Lithuanian and Scandinavian countries trade relations</p>	<p>9. In your opinion, what kind of qualities should a company have in order to successfully cooperate with Scandinavian country / countries? 10. In your opinion, what measures will encourage companies to cooperate with Scandinavian country/ countries?</p>

Restrictions on research. Some of the companies refused to give interviews, while other companies did not respond to calls or emails. Other companies agreed to give interviews but later cancelled. There are many companies which in them website state what they cooperate with Scandinavian countries, however, this information is incorrect. To contacted the company, they claimed that the information is incorrect and these company did not cooperate with Scandinavian countries.

Duration of the research. The longest interview – 42.36 min. The shortest interview – 9.32 min. Average interview: 15.19. The first interviews were started on November 10 and the last interview was conducted on December 21.

Place of the research. Four interviews took at the respondents’ homes by phone; other three interviews took at the respondents’ workplace by phone. There were no other people who could influence the respondent's opinion during the interview.

Principle of research ethics. The research was based on the following ethical principles: potential research participants were informed of the research by telephone or e-mail and could decide on participation in the research independently. The research participants were made aware of the research’s purpose. The participants were promised anonymity and gave permission to tape record the interview.

Analysis of the findings. The obtained data was analysed using the content analysis. According to Bryman, 2004 qualitative content analysis is "*probably the most prevalent approach to the qualitative analysis of documents*" (Bryman, 2004 p.392). Transcribed interviews were read many times in order to responsibly analysed all materials. The coding system was used in order to systemize the data "*coding helps to organise piles of data (in the form of notes, observations, transcripts, documents, etc.) and provides the first step in conceptualization. It also helps to prevent 'data overload' resulting from mountains of unprocessed data in the form of an ambiguous word*" (Walliman, 2006 p.133). After coding all interviews, the collected statements were analysed and interpreted.

3.2 Non Tariff Barriers Affect for Trade Relations between Lithuania and Scandinavian Countries

Taking into account the importance of the research and the exclusion of the questioning stages indicated in the methodology of the research. It is expedient to present the structure of the empirical part according to the specified question separation. Thus, the material is presented systematically; it is focused on each indicated part.

3.2.1 Cooperation with Scandinavian countries

In order to evaluate the effect of non-tariff barriers on trade relations between Lithuania and Scandinavian countries, it is essential to understand the cooperation level in both countries' trade relations. In this part, the experience and purpose of the companies in which respondents work in cooperation with Scandinavian countries were analysed. The majority of the interviewees' experience collaborating with Scandinavian countries was longer than five years "*in this company I'm working for 6 years and only with Scandinavian countries*" (representative of "Kuehne + Nagel") and "*almost 10 years working together with Scandinavian countries especially with Norway*" (representative of "DSV Transport"). One of the experts gained much experience from cooperation with Scandinavian countries and became the head of the Scandinavian countries department "*I have 5 years' experience in cooperation with Scandinavian countries, such as Finland, Sweden, Norway, and currently I am Head of Scandinavian countries department*" (representative of "Baltic transline"). While most of the respondents had many years' experience in cooperation with Scandinavian countries, some of the respondents had just a few years experience in cooperation with Scandinavian countries "*my international trade experience with Scandinavian countries is almost three yers*" (representative of Hegelmann transporte) and "*I have come*

to this market and have been working for more than a year. When I came to work in this company, I started with the Scandinavian countries, and I'm still working with the Scandinavian countries" (representative of "Kaunas Logistics Agency"). Some of the participants in the survey, due to the increased flow of transportation to Scandinavian countries, had to change the divisions and moved from their initial division to one that works specifically with the Scandinavian countries. *"I have been working as the transport sales manager for more than 5 years, but I have been working with Scandinavian countries for only one year, I worked with East Europe first, but when the transportation to the Scandinavian countries increased, I moved to this division"* (representative of "Baltic Freight Services") and *" It is, you know, as soon as I started to work, we had not so many orders to the Scandinavian countries, but later, the further, the more I had to go there, so it is hard to count, you know, I do not remember how much times. Maybe about 10-12 years would be now"* (representative of "Transmēja").

Most of the participants of the survey work in companies that have many years of experience working with Scandinavian countries, four out of seven work in companies that have ten years of experience or more in cooperation with the Scandinavian countries. *"Well, the company I work in, it really has been transporting freight for about 20 years, but it is precisely with the Scandinavian countries, so it is hard to say, maybe 10 years ago. First started transporting to Norway, Sweden, and later Finland"* (representative of "Hegelmann transporte") and *"It's difficult to say, but I think it's 15 years or maybe even more"* (representative of "DSV Transport"), *"Oh, our company has been working with the Scandinavian countries for a long time, since the establishment of this company, which means that it has been more than 16 years, maybe it can differ in a couple of months"* (representative of "Kaunas Logistics Agency"). One of the experts works in a company that has been cooperating with the Scandinavian countries for more than 20 years *"This company has been cooperating with the Scandinavian countries for over 20 years"* (representative of "Baltic Freight Services"). Two out of seven of the experts who participated in the survey stated that their company has cooperated with the Scandinavian countries for about eight-ninve years *"It has to be up to 8 years"* (representative of "Baltic Transline") and *"The company itself, as far as I know, cooperates really for a very long time, I believe that already 9 years, so, in fact, that the basis of our company is the cooperation with the Scandinavian countries"* (representative of "Kuehne + Nagel"). One of the experts could not answer how long the company had been cooperating with the Scandinavian countries because he was a recent hire and he did not know *"I cannot answer, you know, because during all that time I worked really in more than one company, and this is the last company I work in, I do not know how many years it works with the Scandinavians"* (representative of "Transmēja").

Having assessed the Scandinavian trade relations experience of these experts and their companies, it is important to analyse what goods, services, or products these companies provide to the Scandinavian countries. Most of the companies with experts participating in the survey provide transportation services to the Scandinavian countries. The representatives noted that they provide shipping services, but most of the goods transported are of Lithuanian origin *“Our company provides services, cargo transportation services, and by this cargo carriers transport various goods which are exactly made here in Lithuania”* (representative of *“Kuehne + Nagel”*) and *“Our company does not export anything, we transport the goods, and the export itself is implemented already by the Lithuanian manufacturers in that cargo”* (representative of *“DSV Transport”*). The representative of another company said that their company also provides transportation services, but he did not want to name the contents of the cargo *“Well, we are actually engaged in transport services, and, of course, this transport is used for transportation of products, but I will not name these products”* (representative of *“Kaunas Logistics Agency”*). The representative of *“Baltic Transline”* claimed that their company transports a very diverse range of products to the Scandinavian countries, ranging from food products to construction materials, the cargo even includes products like wooden houses, which, according to the expert, are very much sought after by Scandinavians *“ the company carries out transportation. Various furniture, building materials such as reinforcement, concrete blocks are transported, they love our wooden houses, as we transport them too, and indeed a large part of them consists of food products.”* (representative of *“Baltic transline”*). The most popular class of goods transported to the Scandinavian counties is building materials, this was confirmed by the representatives of the companies, in their opinion, the Scandinavian countries make many orders for windows, glass and wooden doors. The representative of the company confirmed that the building materials are most often transported to the Scandinavian countries *“The most commonly transported goods to them are furniture, building materials. Different constructions are transported, of course, plastic products, glasses, windows”* (representative of *“Baltic Freight Services”*). According to another expert, they supply the Scandinavian countries with various food products but have a particular demand for windows and doors *“Well, we transport everything from food products to different pallets with construction goods, the most demanded of which are windows and wooden doors”* (representative of *“Transmėja”*).

After compiling the findings regarding the companies’ and experts’ cooperation with Scandinavian countries, it was found that Lithuanian companies have significant experience in collaboration with the Scandinavian countries. The experiences of experts collaborating with the Scandinavian countries is very diverse, one may boast many years of experience, while others are still newcomers to this field. Most

often companies provide transportation services to the Scandinavian countries. Most often building materials, food products, glasses, and windows are transported. The Scandinavians appreciate products of Lithuanian origin. Therefore, many goods manufactured in Lithuania can be found in their imports.

3.2.2 Difficulties faced in cooperating with Scandinavian country

There are many hurdles that make it difficult for Lithuania and the Scandinavian countries to cooperate effectively. As one of the leading issues in the research, non-tariff barriers are highlighted, but it is essential to figure out what other problems the companies face in cooperation with the Scandinavian countries. Experts distinguish between different issues that affect the success of trade relations between Lithuania and the Scandinavian countries. Lithuanians and Scandinavians have different attitudes towards working hours, according to the respondents, Scandinavians have shorter working hours than Lithuanians, and this causes problems for both carriers and suppliers who face limited opportunities to contact Scandinavian customers *“Norwegians, as it is very unusual thing to us, are closing very early and their working hours are too short, so this would be one of, let’s say, unusual difficulty”* (representative of *“DSV Transport”*). According to an expert, the setting of short working hours by the authorities is caused by the fact that the authority aims to allow people to enjoy their hobbies and to remain more productive during their work *“They see thing very simply, and they never want to overwork. It may be very strange for us, Lithuanians* (representative of *“DSV Transport”*). Another problem raised by the experts is difficulties with discharging and loading, according to the respondent, the Scandinavians are reluctant to help the Lithuanian carriers to load or unload the goods *“The only trouble are due to loading and unloading, they don’t want to help for us, they ignore us”* (representative of *“Baltic Freight Services”*).

One of the respondents said that all of these problems are caused by the Lithuanian companies that cooperate with the Scandinavian countries. He claims that the company in which he works places specific requirements for drivers in order to transport cargo to the Scandinavian countries *“(…) had a cargo to Sweden, not so long ago, now it is winter there, lots of snow falls, and since I myself did not really go there to the Scandinavian countries in winter, I was not allowed to drive there, they say that it can be too hard for me, that I have too little experience, thus they let another driver, and I lost the work for this order”* (representative of *“Hegelmann transporte”*). Other experts who participated in the survey also agreed with this opinion that the troubles come from the domestic companies that cooperate with the Scandinavian countries. However, they stated that the problems are caused not by the companies engaging in trade, but by the carriers that transport cargo *“there are various cases and incidents, but there are no such that would be related precisely to the Scandinavians. Maybe more difficulties arise for*

ourselves when we faced problems communicating with carriers” (representative of “Kuehne + Nagel) and *“sometimes there are problems on our part, such as non-compliance with conditions, and some other problems caused by carriers*” (representative of “Kaunas Logistics Agency”). Experts have identified one major problem that they often face when communicating with carriers. According to the experts, carriers often delay in the delivery of cargo, which is especially disappointing for Scandinavians. *“calls and says that he cannot deliver the cargo in a timely manner, the cargo will be late, according to the agreement, one date is set, and they call and say that your cargo is not delivered yet, and it appears that this cargo just moved from Lithuania*” (representative of “Kaunas Logistics Agency”). Another problem noted by the representatives as an obstacle to effective trade relations between the Lithuanian and the Scandinavian countries is knowledge of English. According to the experts, every carrier must be fluent in English, because, according to him, it is highly valued by Scandinavians *“well, it is necessary to understand English well, because they speak English only or in their own language, and if you do not understand English, you will not be able to communicate with them*” (representative of “Hegelmann transporte”).

The opinions of Lithuanian industry experts coincided with the views of the Scandinavian countries on Lithuanian companies and their services. The respondents said that Scandinavian countries have negative attitude towards the Lithuanian firms, that Scandinavians are of the opinion that Lithuanian companies offer poor quality services and are unreliable *“As one of such main difficulties I see that sometimes Scandinavian companies think that we are unreliable, they ask for recommendations from other Scandinavian companies*” (representative of “Baltic transline”) and *“their mentality is such that they do not distract. Mentality is a constraint; they believe that we are the provider of services of the lower class, so they treat us as worse service providers*” (representative of “Kaunas Logistics Agency”).

The experts noted a lot of obstacles to cooperation with the Scandinavian countries. Insofar as primary obstacles, they noted: different Lithuanian and Scandinavian attitudes towards working hours and problems that arise with unloading and loading. According to the experts, in order to provide services to the Scandinavian countries, it is necessary at a minimum to speak English and companies that are able to communicate in Norwegian, Swedish, and Finnish are especially favoured. Although many experts have claimed that the main problems emerge within companies, other experts differed. Some argued that the underlying problem that interferes with the efficient cooperation between Lithuania and the Scandinavian countries is restrictions imposed by the Lithuanian companies on the provision of transportation services. According to other respondents, the main problems arise when carriers fail to meet specified conditions, and the cargo is delayed. Due to frequent delays in freight, the Lithuanian companies

seem unreliable to the Scandinavian firms, which means that the Lithuanian companies are viewed as poor suppliers of services.

3.2.3 Non- tariff barriers application in trade relations

Non-tariff barriers were distinguished in the theoretical section, and based on theoretical material, a list of the non-tariff barriers was drawn up which was presented to the experts. The experts were asked to distinguish non-tariff barriers affecting trade relations between Lithuania and the Scandinavian countries, and determine which do and do not affect the trade relations between Lithuania and the Scandinavian countries. The results showed that the main non-tariff barriers affecting trade relations between Lithuania and the Scandinavian countries are:

1. Seasonal import regimes;
2. Quality conditions imposed;
3. Inadequate infrastructure;
4. determination of eligibility;
5. Additional trade documents;
6. Packaging conditions;
7. Labeling conditions;
8. Restrictive licenses;
9. Product classification;

Most experts considered the seasonal import regime as one of the leading non-tariff barriers. According to expert, the seasonal import regime is difficult to quantify and applies only to certain groups of goods that require a specific procedure, according to him, the Scandinavian countries are seasonal but, in his opinion, this barrier is due to money and is easily eliminated “*Scandinavian countries themselves are, let’s say, seasonal. But here, you see, everything is based on money. It is really like a barrier, but it is such a barrier, that soon it can be or not to be*” (representative of “*Kaunas Logistics Agency*”). The representative of “*DSV Transport*” company declared that in winter in the Scandinavian countries logistics become very complicated, especially in Norway “*The winter there is very difficult in the Scandinavian countries, and especially in Norway, there are very poor conditions in winter in general*”(representative of “*DSV Transport*”). According to another expert, the seasonal import regime is created at the domestic level, and the very companies that cooperate with the Scandinavian countries create that barrier “*But here that seasonal import regime is done by our companies itself, because, as I say, I was not allowed to drive, although I was ready for everything, they say you do not have the required experience, only good drivers*

can go there during such seasons, thus, some kind of discrimination comes up, I have been there, I have been transporting those cargoes, and now they tell me that I cannot drive, I need experience, so the bullshit comes up. So the companies itself creates and makes those barriers for me, and other drivers” (representative of “Hegelmann transporte”). Of course, when companies set certain criteria for drivers, the main problem appears to be the lack of drivers and the decrease in shipping capacity during winter time. This is also confirmed by the company’s representative who believes that the biggest problems in cooperation with the Scandinavian countries arise during the winter “*maybe the thing is that the flows from Lithuania are decreased in winter, because the companies do not find drivers who can transport the cargo, and they, in any case, are waiting for those cargoes there both in winter and summer the same”* (representative of “Transmėja”). The decreased inflow of goods during winter is determined not only by the reduction in the number of drivers but also the fact that vehicles need to be properly prepared to travel to the Scandinavian countries, and this requires additional costs that drivers do not want to cover “*Of course, the costs of transportation increases in winter, because vehicles must meet the standards of their requirements, the tires should be with chains and studded. Such things cost and, of course, the price of transportation increases”* (representative of “Transmėja”). The fact that inflow decreases during winter and especially increase in the spring and autumn is confirmed by another expert “*The flows change both during winter and summer, it is very clear from the statistics that the flow to the Scandinavian countries in winter is decreased, and especially increases in the spring and autumn”* (representative of “Baltic Freight Services”).

Another non-tariff barrier determining the effectiveness of trade relations identified by the experts is the inadequate infrastructure. According to the experts, although the road and ferry system in the Scandinavian countries has been greatly expanded, the excessive snow in the winter months in the Scandinavian countries is problematic. The fact that drivers encounter dangerous conditions during the winter was confirmed by almost all the experts who participated in the survey. According to one expert, in winter, many drivers refuse to transport cargo and this causes a lot of problems for companies “*Well, yes, the transport is facing numerous difficulties in winter, it is very difficult for carters in winter, it happens that they even do not want to drive”* (representative of “DSV Transport”). According to another expert, drivers are particularly dissatisfied with the difficult road conditions, which is why companies often receive calls with requests for help or reproach “*In Scandinavia, a lot of snowfall, and sometimes it happens that the roads are full of snow, and then all our vehicles are stuck, and then we receive a lot of calls from carriers, they are angle of standing in a snowdrift, between the snow mountains and cannot drive,well, such a thing happens”* (representative of “Kaunas Logistics Agency”). Each company

providing transportation services must ensure the safety of drivers, and therefore, during the winter, they raise the qualifications for drivers to at least five years of experience *“Usually we send only well-experienced drivers to the Scandinavian countries. Drivers with at least five years of experience. Although the roads are really well developed there, a lot of experience is really required in order to successfully reach the destination”* (representative of *“Kuehne + Nagel”*). Other requirements are provided by the laws of the Scandinavian countries: during the winter, only those vehicles that have chains and studded winter tires may enter Scandinavian countries *“winter makes the life of transporters very difficult, these are special requirements – chains, winter tires, also the driver must be experienced, because it is very complicated, there are mountains and mountainous places everywhere, everything is very different from driving on the highway”* (representative of *“DSV Transport”*). Although the companies face the biggest difficulties during winter, according to the experts, the roads in the Scandinavian countries are challenging for everyone, even for advanced drivers during the summer season *“Norway is a country with a very large area of mountainous terrain, narrow paths, swirling, in summer it is also very difficult there. Such a specific country”* (representative of *“DSV Transport”*) and *“for me, the biggest difficulty is the narrow and curving paths in the Scandinavian countries. Thus it is difficult to drive there with such a vehicle”* (representative of *“Transmeja”*).

Another non-tariff barrier named by the experts is the quality conditions imposed. According to many experts, Scandinavians value high-quality goods, but orders for products or services are also determined by price *“everything needs to be packed in quality and delivered qualitatively”* (representative of *“Hegelmann transporte”*) and *“both we and our neighboring countries are exporting a lot to the Scandinavian countries. However, they are looking at the quality and price ratio. If you manufacture a quality product and they are satisfied with the price, it does not really matter to them where the product was manufactured”* (representative of *“DSV Transport”*). The experts pointed out that the Scandinavian companies are stringent in terms of poor quality goods and that they do not accept goods that do not meet the specified quality conditions and return them *“if they do not like something, you can take that cargo back, there is no difference for them, you will not be able to say something then that this happened somehow, or that some pallets have shaken due to your winding roads, it does not matter for them, take that cargo and carry it back”* (representative of *“Hegelmann transporte”*) and *“for example, firewood is exported from Lithuania, and Norwegians there are strictly looking at those various nuances, such as humidity. If the firewood is not sufficiently dry, the Scandinavian countries return them back, that is, they do not even accept shipment-cargo”* (representative of *“DSV Transport”*). According to one expert, although the Scandinavian countries have certain quality requirements, they often do not apply them to the

Lithuanian companies, in his opinion, the Scandinavians are well aware that Lithuanian companies are low-end suppliers and accept this *“well, we are such low-class service providers, and such out goods are of such low class, they understand from where they receive those services, and everything that they can do is to approve it”* (representative of *“Kaunas Logistics Agency”*).

According to the survey data, in the opinion of the respondents, the determination of eligibility is also one of the main non-tariff barriers affecting trade relations between Lithuania and the Scandinavian countries. This measure was chosen by all respondents who participated in the survey. The company's representatives state that the delivered cargo must always meet all determination of eligibility established *“(…) actually they have established it, how it is called. The eligibility criterion, yes, that eligibility criterion, transported and delivered goods must meet their criteria 100 %”* (representative of *“Transmėja”*) and *“There is an agreement between each client, and they discuss the conditions very clearly and in detail, what, where will be written and how what will be done”* (representative of *“DSV Transport”*). According to respondent, Scandinavian companies pay close attention and apply certain criteria for goods, always checking the cargo upon arrival to see whether the ordered goods actually meet all the criteria signed in the agreements of the Lithuanian and Scandinavian companies *“It is necessary there that all their requirements would be met, it is mandatory, they require it, but you know, if everything is in order, it is all good, everywhere here everything requires regularity. And those requirements, that everything would be tidy, intact, they just want to receive precisely the thing they ordered, and that’s all”* (representative of *“Hegelmann transporte”*). The respondent states that it is often the case that the Scandinavian countries request pictures in contracts showing which goods they are being exported and, subsequently, upon arrival of the cargo, in the presence of the driver, that picture is compared with the delivered product *“they bring the picture showing and looking whether everythng is the same as before, yes, they are making such a joke, that you have to make a photo before leaving, and when you come to Norway, they bring that picture and they compared it”* (representative of *“Hegelmann transporte”*). The representative of *“DSV Transport”* company states that the Scandinavian countries apply these criteria for different standards and requirements *“Mmm, you see, those their standards, requiremenst are different. In that sense, every producer wishing to enter in Scandinavian countries market but they have to offer something that is acceptable to them”* (representative of *“DSV Transport”*). According to the respondents, each company that cooperates with the Scandinavian countries and provides them with goods or services must produce goods or services in a manner acceptable to the Scandinavian countries, and only then such a company will be able to cooperate successfully with Scandinavian companies *“they have windows opening to the outside, and in Lithuania, it is not popular at all. So the manufacturers have to reorganize*

into the production that is acceptable to the Scandinavian countries. This is one of the examples. But also furniture, well, actually in all areas it is that our manufacturers have to supply the goods that are different from those supplied to us. But here the manufacturer has to adapt and produce exactly what they need” (representative of “DSV Transport”).

The another non-tariff barrier distinguished by the respondents is additional trade documents. According to experts, for Scandinavian companies cooperating with Lithuanian companies it is important that all documents are properly prepared “(...) *they really require all those kinds of documents, they need all of that documentation, you see, they are like this, it is their mentality”* (representative of “Kaunas Logistics Agency”) and “*well, they require that you have all the documents, orderly, when you transport, for example, to Poland, they just have a glance and that is all, but here they check everything”* (representative of “Hegelmann transporte”). One expert pointed out that one of the features he noticed in cooperation with the Scandinavian countries was that Scandinavians always require detailed information on the transportation of cargo. According to the expert, this really is a huge barrier that threatens effective cooperation between the two countries “*when they are waiting for this cargo, they need to know everything, they are calling, asking for all the information they need, all the explanations they need, although, as I said, we say that we will be late, and then they will ask for everything, what, how and why, you must explain them everything in detail, and later they once again they will ask the driver about everything for another ten times. In short, there is such a huge barrier that also really hinders our relationship with Scandinavian countries companies”* (representative of “Kaunas Logistics Agency”). The perceived pettiness of the Scandinavians is confirmed by another expert who participated in the survey, he said that there are even cases in which the driver is required to submit documents to confirm he was the contracted driver “*they are checking everything, who you are, whether you really are the driver who had to deliver, require for all the documents, sometimes they ask to show your passport to make them sure, well, they are very orderly, they want everything to be in order. It was a case where I delayed the arrival of the cargo and they gave a white sheet and told me to write why it happened, why that cargo did not arrive at them in time, in short, they require everything ”* (representative of “Hegelmann transporte”).

Summarizing the results of the research, it can be noted that the experts distinguish some very important non-tariff barriers influencing the efficiency of trade relations between Lithuania and the Scandinavian countries: Seasonal import regimes; quality conditions imposed; inadequate infrastructure; determination of eligibility; additional trade documents; packaging and labeling conditions; restrictive licenses; product classification. The application of all these non-tariff barriers has a significant impact on

trade relations between Lithuania and the Scandinavian countries. Most of the non-tariff barriers are set by the Scandinavian companies, which causes a lot of difficulties for the Lithuanian companies seeking more effective cooperation.

3.2.3 Recommendations for improvement of Lithuanian and Scandinavian trade relations

The results of the research reveal that the application of non-tariff barriers are applied and has a significant influence on the trade relations between Lithuania and the Scandinavian countries. The respondents suggested recommendations for improvement of Lithuanian and Scandinavian trade relations. In order to achieve better mutual trade relations, the companies must adopt certain qualities. The main feature that is highly valued by the Scandinavian companies is adaptation to their requirements “*successful adaptation to requirements*” (representative of “*Baltic transline*”) and “*of course, the compliance with all requirement they have there. In short, the company must be good*” (representative of “*Hegemann transport*”), “*quick response, successful adaptation to requirements*” (representative of “*Baltic Freight Services*”), “*they should hear their partner (...) first thing would be to adapt to its wishes and desires*” (representative of “*DSV Transport*”). The “*Baltic Freight Services*” company’s representative claims that the Scandinavians are nationalistic and sceptical of foreign companies, and thus Lithuanian companies must gain their confidence “*From experience, Scandinavians are nationalists, and it is necessary to gain their confidence, I see it most in my experience. If the Lithuanian company purchases a product, the payment must be in a timely manner*” (representative of “*Baltic Freight Services*”). The other characteristic which should a company have in order to cooperate with Scandinavian countries successfully is high product quality. The experts pointed out that the most important thing for Scandinavian companies is quality “*the company must do everything in quality, that is the most important to them, and, what else, as I said, nothing else matters to them*” (representative of “*Kaunas Logistics Agency*”) and “*I think the secret of every successful company is appropriate communication and excellent work. And this is what Scandinavians think is most important, that the work is done well and completely. hmm more... I think that is the most important thing*” (representative of “*Kuehne + Nagel*”).

Many experts stated that in order to successfully cooperate with the Scandinavian countries, it is necessary to adapt to their requirements, acknowledge your faults, and always try to find a typical compromise. Otherwise, it is likely that, without these features, the Lithuanian companies will not have any prospects and opportunities to work with the Scandinavian companies “*flexibility in communication. It is also necessary to admit own guilt, and then the Scandinavians themselves begin to perceive and make a general compromise in solving some problems, rather than fighting for the fact that only they are at fault*”

(representative of “*Baltic Freight Services*”). The “*Kaunas Logistics Agency*” representative view that the main elements of successful cooperation with Scandinavian countries are reconciliation and specific “(...) *first of all they are concerned with specificity, they like that at any time they are able to receive information about the process, less for Finns... the element of reconciliation, when working with the Scandinavians, is the provision that there may be various obstacles... when working with them, there is an increased risk, it is necessary to know well about various unsuccessful scenarios, so that you can explain why things are not going according to plan. You must always be ready for Scandinavians. You must always provide information, have explanation if the plans are not met*” (representative of “*Kaunas Logistics Agency*”). According to another expert, the Scandinavian countries in particular respect those companies whose employees are able to speak in their native language “*and the second thing is, for example, when the company’s specialists are sending their employees to learn Norwegian or Swedish language, these countries are very much appreciative of this. If you speak not in English, but in Norwegian with them, they really appreciate that*” (representative of “*DSV Transport*”).

Figure 12 illustrates main characteristics distinguished by the experts which each company should have in order to start trade relations with the Scandinavian countries successfully. Having found out the key features which, according to the experts, are valued by the companies of the Scandinavian countries, it is essential to find out what measures will encourage Lithuanian companies to cooperate with Scandinavian countries.



Figure 13. Main characteristics of a company (compiled by the author)

The first measure which could encourage Lithuanian companies to cooperate with Scandinavian countries is stabilising market prices. The representative of “Kaunas Logistics Agency” and the representative of “DSV Transport” argue that in order to encourage other companies in Lithuania and the Scandinavian countries to cooperate with each other, it is important to stabilise market prices. The experts state that certain price deviations prevail in the market, which causes a lot of problems and hinders the prosperity of trade relations between Lithuania and the Scandinavian countries *“I look at the market and see some certain disruptions, 1700 cars from Stockholm, 500 cars to Stockholm, the market is distorted, exports and imports are not regulated, this leads to deviations in prices”* (representative of “Kaunas Logistics Agency”) and *“so that we could import something, the engine is the price. Therefore, the promotion of import and export is based on the price”* (representative of “DSV Transport”). The expert of “Kaunas Logistics Agency” says that although Scandinavian production is not demanded in Lithuania, it

is not the biggest problem here. In his opinion, although in Lithuania there are a number of products originating in one of the three Scandinavian countries, the products are not delivered from the Scandinavian countries. Respondents argues that the Lithuanian authorities must introduce measures that would encourage Scandinavian companies to import their goods to Lithuania *“All governments should thing of the situation, we are not interested in the Scandinavian production, how to make Scandinavian production interesting, compared to exports, import is very low. Maybe the origin of the arriving good and the brand do not match at all. It is necessary to do something to make Scandinavian products acceptable”* (representative of *“Kaunas Logistics Agency”*). Another recommendation that the expert identified as improving the relations between Lithuania and the Scandinavian countries is reduction in price of Scandinavian production or an effort to convince consumers to think that Scandinavian production is particularly high quality and worth its price *“The Scandinavian countries are one of the most expensive countries, thus, what we can import from them, I do not know, it is very complicated, the price should be very attractive or worth its price”* (representative of *“DSV Transport”*).

Other measures that were noted by the same experts as improving trade relations between Lithuania and the Scandinavian countries were related to the development of the domestic policy and the elimination of internal problems in Lithuanian companies. According to the company’s representative, the Lithuanian companies expect particularly high qualifications for drivers and apply specific criteria for deciding whether a particular driver can transport cargo to the Scandinavian countries that the Scandinavian countries don’t care about *“well, for us, drivers, it is necessary that the companies themselves do not discriminate drivers, the Scandinavians do not say anything about how much experience the driver should have, but here start some kinds of games with experience, only those who have more experience can transport”* (representative of *“Hegemann transporte”*). In the opinion of the respondent, such restrictions are applied because of the difference in transportation charges to different destinations, and drivers who transport cargo to the Scandinavian countries receive higher earnings. Respondents argues that this restriction should be abolished and thus allow the increase in the number of transports to the Scandinavian countries *“we know for sure that it is very worthwhile for the drivers to transport to the Scandinavian countries in winter because then you receive much more money than anywhere else. It seems to me that the national governments must abolish that discrimination in the companies”* (representative of *“Hegemann transporte”*).

According to the representatives of *“Transmėja”* and *“Kuehne + Nagel”* companies, to improve the trade relations between Lithuania and the Scandinavian countries, it is important also to improve the

relations between Lithuanian companies that cooperate with the Scandinavian countries. The representative of “Kuehne + Nagel” company says that the Lithuanian companies that cooperate with the Scandinavian countries are too competitive with one another. Many companies refuse to help each other in emergencies “*well, In Lithuania, there is a lack of cooperation between companies. It should be mutual assistance between the carriers of different companies. Well, for example, one of our carriers are stuck in Sweden and he needs help on the road, he sees that the truck of other Lithuanian company coming and what you think, he receives the order of the authorities not to stop in any way. Well, there are many such cases, where the competition can be observed*” (representative of “Kuehne + Nagel”). The representative of “Kuehne + Nagel” company states that only mutual cooperation and assistance would encourage other Lithuanian companies to look for partners in the Scandinavian countries “*Our company is very big and we, on the contrary, are instructing drivers to stop as quickly as possible and help other carriers. Well, here is the business of every company. Well, I think that mutual cooperation and assistance will certainly encourage other companies to cooperate with the Scandinavian countries*” (representative of “Kuehne + Nagel”). This opinion was also endorsed by the representative of “Transmėja” company, the representative stated that the Scandinavian countries are excellent trading partners and that the Lithuanian companies should cooperate more with the Scandinavian countries “*The Scandinavians countries are good countries, and it is necessary to promote cooperation with them. The authorities will not do anything here, the companies themselves have to look for those companies abroad with which they can communicate, work together*” (representative of “Transmėja”). The representative of “Transmėja” company states that the Scandinavian countries are particularly willing to cooperate with the Lithuanian companies “*and with Scandinavians, they are willing to interact with us, we are cheap partners for them*” (representative of “Transmėja”).

To summarize the results, the primary characteristics which each company should have in order to start trade relations with the Scandinavian countries are the following: a) adaptation to requirements, b) high quality of products, c) common and fair compromise, d) improvement of abilities. There are a number of measures provided by experts that would improve and stimulate cooperation between the Lithuanian and the Scandinavian countries. The main criteria distinguished by them are the following:

1. the governments of the countries should introduce measures that would stabilize market prices, this step should encourage the companies of the Scandinavian countries to import their goods to Lithuania.

2. the reduction of cost of Scandinavian products or convincing the consumers to think that Scandinavian products are particularly high quality and worth their price.
3. the ability to support the improvement of trade relations between Lithuania and the Scandinavian countries are related to the development of the domestic policy and the elimination of internal problems in Lithuanian companies.
4. the promotion of relationships between the Lithuanian companies that cooperate with Scandinavian countries, mutual cooperation and assistance would encourage other Lithuanian companies to look for partners in the Scandinavian countries.
5. new regulations for companies to reduce stringent experience requirements for drivers within companies themselves.

3.3 Summary of Research Findings

The first four introductory questions seek to find out the respondents' work experience in the international trade sphere and work experience in international trade with Scandinavian countries. The research findings show that Lithuanian companies have long-lasting experience in cooperation with the Scandinavian countries. The experience of experts in collaboration with the Scandinavian countries is very diverse, one can boast many years of experience, while others are still newcomers to this field. The second question was intended to find out what products, or services were being exported to the Scandinavian countries by the company represented by the respondent. The results of the survey revealed that the companies represented by the respondents most often provide transport services to the Scandinavian countries. The experts identified that the most commonly shipped goods from Lithuania to the Scandinavian countries were goods of Lithuanian origin. According to the representatives of the companies, most of the products of Lithuanian origin were building materials, food products, glasses and windows. According to the experts, the Scandinavian countries particularly value products of Lithuanian origin. The theoretical part, analysing the trade relations between Lithuania and Scandinavia, provided statistical analysis. The results of this study revealed that the trade relations between the Scandinavian countries and Lithuania have developed well and have continued for many years. After analysing the main goods exported, it was possible to conclude that mainly goods of the Lithuanian origin are shipped to the Scandinavian countries. The analysis presented in the theoretical part coincides with the opinion provided by the experts of the research conducted.

The fifth and sixth question was intended to find out the difficulties encountered companies represented by the experts in cooperation with the Scandinavian countries. The results of the research

showed that, although cooperation between the Lithuanian and Scandinavian companies is well developed, the trade relations between Lithuania and the Scandinavian countries are faced with a number of difficulties. There are a lot of obstacles noted by the experts in cooperation with the Scandinavian countries. As for the chief obstacles, they distinguished: different Lithuanian and Scandinavian attitudes towards shorter working hours in the Scandinavian countries. Problems that arise with unloading and loading. According to the experts, to provide services to the Scandinavian countries, it is necessary to speak English, and it would be appreciated if the driver speaks Norwegian, Swedish, or Finnish. Many experts have claimed that the main problems arise within companies. The underlying problem that interferes with the efficient cooperation between Lithuania and the Scandinavian countries is restrictions imposed by the Lithuanian companies on the provision of transportation services. According to respondents, the other problem is that carriers failing to meet the specified conditions, delaying cargo. Due to frequent delays in freight, the Lithuanian companies seem unreliable to the Scandinavian enterprises, which means that the Lithuanian firms perceived as poor suppliers of services.

The seventh and the eight questions were intended to find out whether the non-tariff barriers exist in trade relations between Lithuania and the Scandinavian countries and to evaluate the effect of the non-tariff barriers on trade relations between Lithuania and the Scandinavian countries. The results of the research revealed that, despite the decrease of tariff barriers, non-tariff barriers emerged, which had an effect on trade relations between Lithuania and the Scandinavian countries. The main non-tariff barriers distinguished by the experts, which influence the trade relations between Lithuania and the Scandinavian countries, are: a) seasonal import regimes; b) quality conditions imposed; c) inadequate infrastructure; d) determination of eligibility; e) additional trade documents; f) packaging and labeling conditions; g) Restrictive licenses; h) Product Classification. The non-tariff barriers presented in Figure 13 are distinguished by the experts as the most abundant and causing moderate impact non-tariff barriers. At the top of the pyramid are non-tariff barriers that have the most significant impact on the efficiency of trade relations between Lithuania and the Scandinavian countries. At the bottom of the pyramid are barriers that have a lesser effect on the effectiveness of trade relations between Lithuania and the Scandinavian countries. The results of the research showed that seasonal import regimes, quality conditions imposed, inadequate infrastructure, determination of eligibility and additional trade documents are the most substantial non-tariff barriers distinguished by the experts. The other non-tariff barriers, such as packaging conditions, labelling conditions, restrictive licenses, product classification and buy national policy, characterised by the experts, have only moderate influence on the on the efficiency of trade relations between Lithuania and the Scandinavian countries. The non-tariff barriers, such as import bans, bribery

and corruption, corrupt customs procedures, foreign exchange controls, fixation of a minimum import price, export subsidies, import licenses, rules of origin, determination of eligibility, restrictive permits were not noted to affect the efficiency of trade relations between Lithuania and the Scandinavian countries. The results revealed that, according to the experts, these non-tariff barriers do not exist in the trade relations between Lithuania and the Scandinavian countries.

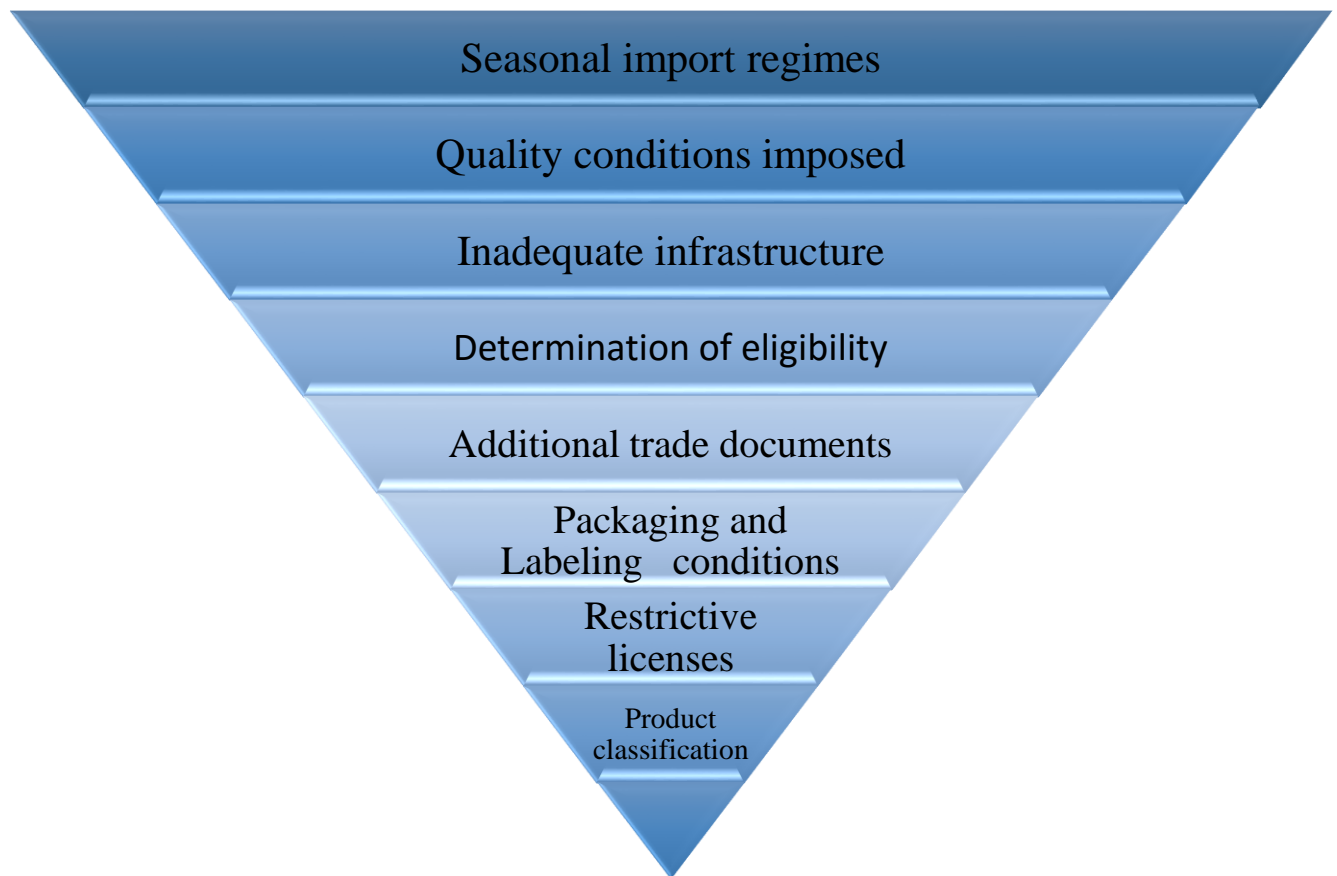


Figure 13. Effect of Non-Tariff barriers on trade relations between Lithuania and Scandinavian countries (compiled by the author)

The ninth question was intended to find out the qualities that the company must have to cooperate with the Scandinavian countries successfully. The results of the research showed that there are many qualities distinguished by the experts that the company should have in order to cooperate with the Scandinavian countries successfully. As the essential qualities, the experts identified the following: a) adaptation to requirements, b) high quality of products, c) common and fair compromise, d) improvement

of abilities. These qualities are necessary for each company to start collaborating with the Scandinavian countries or to develop current relations.

The last tenth question was intended to find out what novel actions could encourage the Lithuanian and Scandinavian companies to cooperate with each other. The research found that in order to promote the Lithuanian and Scandinavian companies to cooperate with each other, new measures should be implemented at both international and national levels. First of all, the governments of Lithuania and the Scandinavian countries should review the objectives of the international trade cooperation policy of Lithuania and Scandinavia and ascertain whether they are efficiently implemented. Another measure is the stabilisation of market prices. The experts suggested that the Lithuanian and Scandinavian governments should introduce new measures that would stabilise market prices. However, the experts did not name what kind of action would help stabilise market prices. Another measure distinguished by the experts is the introduction of new, efficient measures that would encourage the Scandinavian companies to import their goods to Lithuania. The experts highlighted that measures that would encourage the Scandinavian companies to import their products to Lithuania are the following: reduction of price of the Scandinavian products or encouraging the consumers to believe that Scandinavian products are particularly high quality and worth their price. Other measures that could improve trade relations between Lithuania and the Scandinavian countries are related to the development of the domestic policy and the elimination of domestic problems arising in the Lithuanian companies. One of these measures is the promotion of the relationship between the Lithuanian firms that cooperate with the Scandinavian countries, mutual cooperation and assistance would encourage other Lithuanian companies to look for partners in the Scandinavian countries, as well reduction of experienced-based qualifications of drivers within companies themselves. By eliminating these barriers and adapting the noted measures the trade relations between Lithuania and the Scandinavian countries can be improved.

CONCLUSIONS

In this part the conclusions and recommendations from the theoretical and empirical parts presented. Conclusions will be explored in accordance with the four defined research project tasks.

1. The analysed the conception and theories of international trade; international trade usually described as the exchange of goods or services between countries. The trade theories developed over the years in the international trade. Classical trade theories stand for nations participating in international trade and benefits from international trade. However, most of the classical theory is not practically our days. The modern trade theories are popular now because there analyses current trade situation, recently are New Trade Theory and Melitz' s trade theory. These theories stand for imperfect competition and economies of scale.
2. In today's world, restrictions on the flow of goods and services in international trade are widespread. Governments implement different actions (regulations, conditions, restrictions or specific requirements) toward international trade. The trade barriers usually are used to protect domestic industry from foreign competition. The trade barriers can take many forms; the oldest and simplest trade barriers is tariff and non-tariff barriers. The non-tariff increased after when the tariff barriers were removed.
3. The statistical analysis of tendencies of Lithuania and Scandinavian countries trade relations has shown that Lithuania and Scandinavian (Norway, Finland and Sweden) countries are closely related to each other. The trade relations between Lithuania and Scandinavian countries are well developed. Scandinavian countries are Lithuania's largest foreign investor partners within the European Union. In 2016 Scandinavian countries invested in Lithuania 3.98 billion euros. The goods turnover between Lithuania and Scandinavian countries were over 4 billion euros. In 2016 goods were exported to Scandinavian countries over the 2 billion euros. Lithuania imported goods from Scandinavian countries in the sum of 2.114 billion Euros. It is very important to promote trade relations with Scandinavian countries and have a strong connection between each other.
4. The results of the research revealed that the non- tariff barriers are applied and affected trade relations between Lithuania and the Scandinavian countries. The main non-tariff barriers which influence the trade relations between Lithuania and the Scandinavian countries, are: a) seasonal

import regimes; b) quality conditions imposed; c) inadequate infrastructure; d) product standards requirements; e) additional trade documents; f) packaging and labeling conditions; g) restrictive licenses; h) product classification requirements.

5. To analyzed non-tariff barriers application and affect on Lithuania and Scandinavian countries trade relations and find out that the non-tariff barriers are applied in Lithuania and the Scandinavian countries trade relatons; it is necessary to make the recommendations in order to improve Lithuanian and Scandinavian trade relations. Recommendations are provided by research respondents and work author are following: 1. Lithuanian and Scandinavian trade policy makers should review the legal framework which regulates and ensure free trade between Lithuania and the Scandinavian countries; 2. New measures should be adopted by countries governments to stabilize market prices; 3. Promotion of relationships between the Lithuanian companies that cooperate with Scandinavian countries; 4. New regulations for companies to reduce stringent experience requirements for drivers within companies themselves.

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1 ANNEX.

Lentelė 1. Interviu klausimai

Tarptautinės prekybos darbo patirtis:	
Tarptautinės prekybos darbo patirtis su Skandinavijos šalimis/ šalimi:	
Kokius gaminius/produktus/paslaugas į Skandinavijos šalis/ šalį eksportuoja jūsų įmonė?	
Kaip ilgai jūsų įmonė bendradarbiauja su Skandinavijos šalimis/ šalimi?	
Ar susiduriate su sunkumais bendradarbiaujant su Skandinavijos šalimis/ šalimi? Su kokiais sunkumais susiduriate ?	
Kaip manote ar netarifiniai barjerai egzistuoja tarp Lietuvos ir Skandinavijos šalių prekybos santykių?	
Nurodykite netarifinių barjerų įtakos lygį. (. Lentelė 1.)	
Jūsų nuomone, kokiomis savybėmis turi pasižymėti įmonė, kad galėtų sėkmingai bendradarbiauti su Skandinavijos šalimis/ šalimi?	
Kaip manote kokios priemonės paskatintų Lietuvos ar Skandinavijos šalių įmonės bendradarbiauti tarpusavyje?	

Lentelė 2. Netarifinių Barjerų įtaka.

Netarifiniai barjerai:	Daro įtaka	Nei daro/ nei nedaro įtakos	Nedaro įtakos
Importo draudimai			
Kyšininkavimas ir korupcija			
Korumpuotos muitinės procedūros			
Sezoninis importo režimas			
Prekybą apribojančių licencijų reikalavimas			
“Pirk nacionalinę prekę” politikos įgyvendinimas			
Neišplėtotą infrastruktūrą			
Užsienio valiutos keitimo kontrolė			
Produktų klasifikavimo reikalavimai			
Nustatymas fiksuotos minimalios importo kainos			
Eksporto subsidijos			
Importo licencijų reikalavimai			
Bendros ar produkto kvotos			
Kilmės taisyklės			
Įvestos kokybės sąlygos			
Nustatytos pakavimo sąlygos			
Nustatytos ženklinimo sąlygos			
Produkto standartai			
Tinkamumo kriterijų įvedimas			
Papildomi prekybos dokumentai			