

Towards an Independent Future

The Baltic States Three Years On

In 1991, the Baltic States—Latvia, Lithuania and Estonia—regained their independence after half a century of Soviet rule. Although each country has a unique history and culture, they have woven parallel courses through the centuries as small nations struggling to assert themselves between expansionist neighbors. Paying particular attention to Latvia, Aldis Purs examines the challenges faced by the Baltics as they attempt to rebuild their nations economically and politically.

by Aldis Purs

In the chaotic days during and after the failed attempt by hard-line Communists to reassert central Soviet authority and oust Mikhail Gorbachev in August, 1991, the three Baltic Soviet Republics of Latvia, Lithuania and Estonia seized the opportunity to reestablish their sovereignty. Western powers wasted no time in recognizing their independence and Boris Yeltsin—then President of the Russian Republic and emerging as a popular hero—quickly followed suit.

Months later, in December, 1991, the Union of Soviet Socialist Republics was officially dissolved. In just a few short years since Gorbachev initiated his programs of *perestroika* (restructuring) and *glasnost* (openness)—opening the floodgates of hitherto buried national aspirations—the Baltic States were finally able to plot their own course for the future.

Nestled on the shores of the Baltic Sea, the destinies of Latvia, Lithuania and Estonia have inevitably lain within the larger geopolitical context of the strategic region they inhabit. Throughout history, expansionist neighboring powers—Germans, Poles, Swedes and, most recently, Russians—have decided their fate. Today, forging ahead as independent states, they are struggling also to overcome the legacy of Soviet rule.

Early history: serfdom at home

Germanic Teutonic Knights conquered the early Baltic pagan tribes of modern-day Latvia and Estonia during the twelfth century. This knightly order established a feudal society throughout the region with German lords and clergy ruling over the

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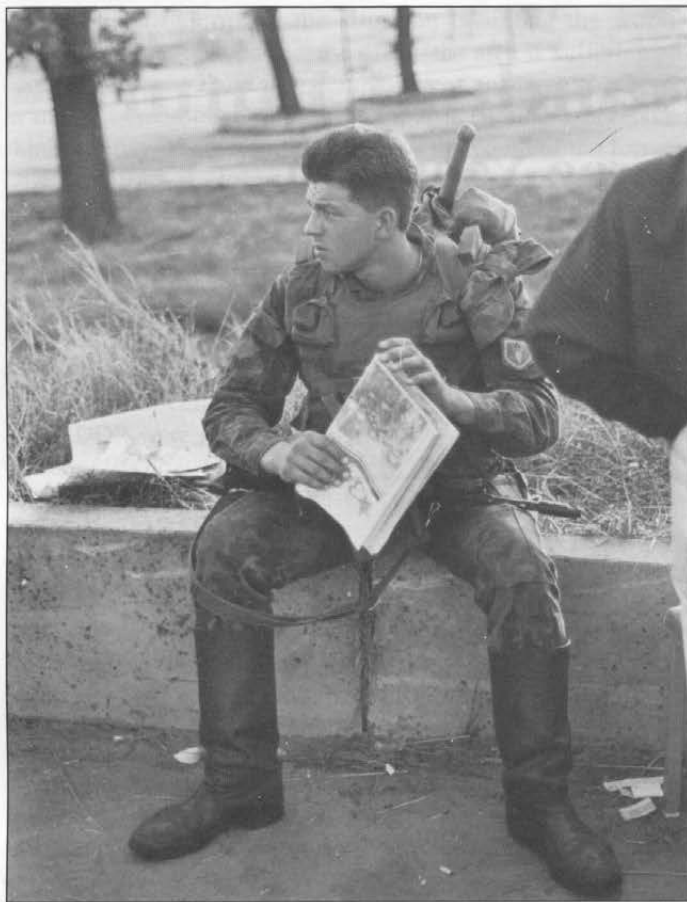
native peasantry.

In the mid-sixteenth century, Russia attempted its first expansion into the Baltic region in Ivan the Terrible's Livonian War (Livonia was essentially comprised of Latvia and Estonia). This campaign was disastrous for Russia, and provided the opportunity for Sweden and Poland to partition much of the Baltic region between them. However, both lacked the means to administer the Baltics effectively, and relied instead on local German gentry already there.

Lithuania developed as a separate unit from its Baltic neighbors and merged with Poland at the end of the fourteenth century. Over time, it became a junior partner in the political union as Polish power increased. Eventually, Lithuanians were



At long last: a Latvian woman reads the Declaration of Independence, August, 1991.
[The Baltic Observer]



Preparing to leave: controversy surrounds the withdrawal of Soviet troops from the Baltics. [The Baltic Observer]

subordinated to Polish lords—not unlike Latvians and Estonians under German gentry.

By the end of the eighteenth century, between the reigns of Russian rulers Peter the Great and Catherine the Great, the entire Baltic region (including the Lithuanian area which was taken from Poland) was annexed and integrated into tsarist Russia. The German gentry pledged loyalty to Russia in exchange for their continued role as domestic masters of the Baltics. German remained the language of administration, education and religion. In Lithuania, the ruling elite remained Polish.

The nineteenth century was a turning point in Baltic history, as fundamental economic changes created the conditions for the emergence of Baltic nationalism. Baltic serfs were freed in the early 1800s, but initially on terms beneficial only to the elite. It was not until the middle of the century that the peasantry was granted the right to purchase land and move freely, allowing for the gradual establishment of semi-prosperous small landholders, and for urban migration to alleviate landlessness.

National awakenings

The Latvian and Estonian sense of nationality was poorly defined prior to the mid-nineteenth century. Educated Germans studied the peasantry's folk traditions and language at the turn of the nineteenth century, but more as a fashionable exercise in anthropology, than serious study of the nations they inhabited. Baltic peasants were simply one of the many peasant nations of

East Europe; nations "without history", which had no indigenous nobility or previous state entities. The few Baltic peasants who acquired an education germanized themselves, adopted Germanic surnames, and immersed themselves in German culture and society (or, in the case of Lithuania, assumed Polish identities). Identity was not defined by ethnic blood, but rather by social standing.

In the 1800s, slowly but surely, educated Balts began to challenge the invisibility of their national identity. By the 1860s, Latvian students at the German University of Dorpat (in present day Estonia) had absorbed many of the ideas of romantic German philosophers about the nationalities of East Europe. These early nationalists defended Latvian customs and the Latvian language, and began to study Latvian history. Had it not been for a series of dramatic economic and demographic changes that reshaped Baltic society, this initial handful of poets, writers and ethnologists would have faced perhaps an insurmountable obstacle to national awakening in a society dominated by powerful German elites.

At the end of the nineteenth century the tsarist government in Russia pursued rapid industrialization that enormously benefitted the Baltic region. Riga became one of the busiest ports and an important industrial center in the empire. As thousands of landless Baltic peasants streamed into Riga and other Baltic towns, they found employment in the growing industrial sector. These sizeable concentrations of workers, coupled with the emerging rhetoric of national identity, swamped the centuries old system of gradual assimilation and Germanization.

Two solitudes: socialism and nationalism

The growing working class toiled in horrible conditions common to early industrialization, and identified with the rising socialist movement in Russia. By the 1890s many Balts had seemingly turned away from specifically nationalist aspirations to embrace Social Democracy. As the twentieth century approached, the debate between a socialist and nationalist future emerged as a dominant theme in the Baltic provinces—one that was to recur well into the twentieth century.

From the 1870s to 1905, a dizzying array of ethnic, economic and political alliances paraded through Baltic politics. Russian administration and influence seemed distant and remote, and early nationalists hoped to replace the German domination with a Baltic elite.

With economic modernization of the empire, however, strong centralizing forces increased Russian presence in daily life. Baltic nationalists, alarmed at undertones of russification, began to question the common cause they had made with Russians to end German control and started instead to idealize Baltic autonomy. However, Baltic social democrats viewed nationalism as a bourgeois concept, and allied themselves with the Russian Social Democratic movement against tsarism.

The Russian Revolution of 1905 brought the socialist/nationalist differences to the foreground. As the revolution swept the countryside, peasants confiscated and redistributed the German landowners' estates. The socialists, however, opposed private property on ideological grounds and proposed communal ownership. As ruthless Russian punitive expeditions "pacified" the rebellious Baltic provinces, the rift over land remained. Peasants that had prospered since the mid-nineteenth century turned to the nationalist program and its

endorsement of private property. Those that were landless and destitute supported communal property and rural socialism.

A similar division unfolded in Riga and other urban centers. Middle-class Balts coveted the Germans' role in politics and supported a nationalist program aimed at replacing the German elite with an upper stratum of Balts. The Balt worker, in contrast, blamed the failure of 1905 in part on the reluctance of the middle class to support radical goals. They moved closer to Social Democracy, particularly the radical and militant Bolshevik faction.

Following World War I and the establishment in Russia of a new Soviet socialist order, in 1917, the Baltic area was a maelstrom of civil war. Known as the wars for independence, the struggles were fought largely between nationalists—who wanted no part of the strengthening Russian Soviet neighbor—and socialists—who allied themselves with the Russian Red Army in their struggle to implement a socialist ideal.

Initially, the socialist program was victorious, and the Soviet Republics of Latvia and Estonia were founded with indigenous support in urban areas. The socialist experiment, however, disillusioned many. Starvation and disease in the city demoralized the population. The program of communal land ownership alienated rural support. Growing discontent and military victories by the nationalists finally defeated the abortive Soviet Republics, as the Baltic populations ultimately opted for national autonomy as their future guiding principle.

Yet, the formal status of the Baltic peoples was mostly decided by geopolitical forces. The victorious allies at Versailles patched together a quilt of independent states to fill the void of the collapsed empires in east and central Europe, and ultimately supported independent Baltic Republics. In 1918, the three Baltic States celebrated their independence.

The first era of independence

Latvia's inter-war years are in many ways typical of the Baltic Republics' experience. Although a Latvian nation-state was established, a wholly nationalist government was not unanimously elected. Socialists held the most seats in Latvia's parliament, the *Saeima*, and controlled the Constituent Assembly. The constitution was a model of liberalism and minority rights,

but there was no clause limiting small parties from sending single deputies to the *Saeima*. Parliamentary politics were plagued with fragile coalitions and political instability.

The viability of parliamentary democracy came increasingly under scrutiny following the Great Depression of the 1930s. Members of the right consistently called for constitutional reform along corporatist lines, while the left blocked any such attempts.

Ultimately, all three Baltic parliaments fell to right-wing coup d'états. Historians have described the governments as benevolent, yet all political discussion and public involvement in policy ended. The record of these administrations is mixed. Economically, the final years were relatively prosperous. In Latvia, culture flourished, but toleration and protection of minority and women's rights began to falter.

In the late 1930s, Baltic control over their destinies was

once again snatched from them as the cloud of Adolf Hitler and Joseph Stalin's expansionist goals darkened over Europe.

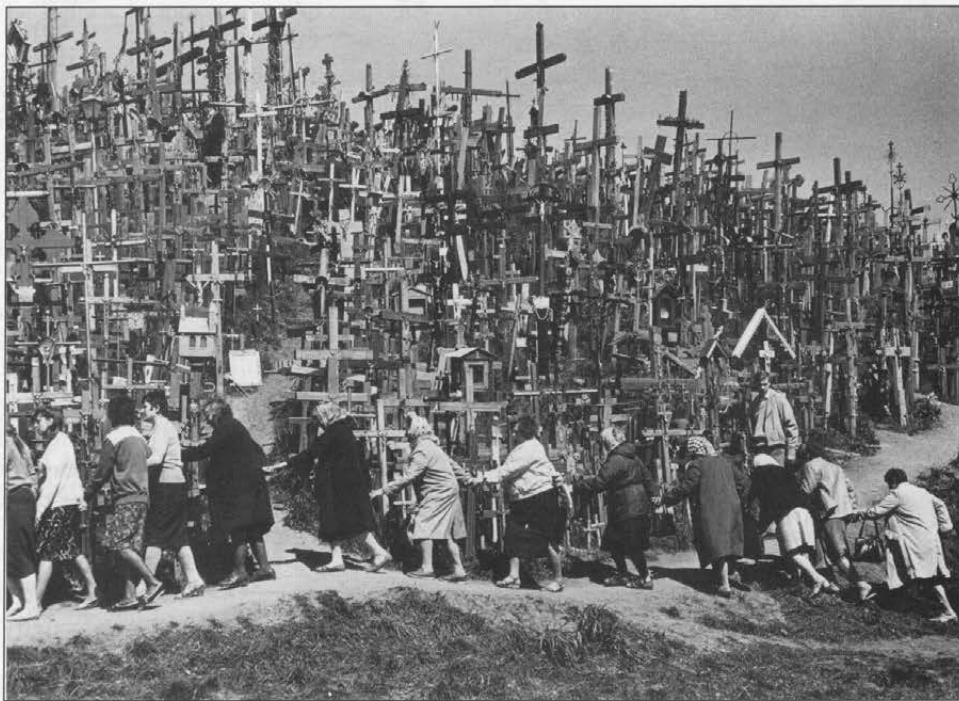
Subjugation again: World War II and Soviet takeover

The refusal of the Western powers to guarantee the territorial integrity of East European nations made possible the expansionist goals of the Soviet Union and Nazi Germany. In 1939, after the signing

of the Soviet/Nazi Non-Aggression Pact, the Baltic Republics agreed, under duress, to allow Soviet troops to be stationed on Baltic soil. In June, 1940, the Soviet Union presented the Baltic States with an ultimatum: Soviet occupation or invasion. All three reluctantly complied, knowing the alternative was annihilation.

Soviet troops carried out mass executions and deportations of Baltic populations with the intention of bringing the nations to their knees. At the time of the Nazi invasion of the Soviet Union in June of 1941, hundreds of thousands of Balts had died or been shipped off to the Soviet gulag in Siberia.

After experiencing Soviet terror, many Balts initially greeted German armies as liberators, but brutal repression continued under the Nazis. Sizable Jewish communities in both Lithuania and Latvia were exterminated, often with individual Balt collaboration. Following the 1945 defeat of Nazi Germany, the Baltic Republics were completely incorporated into



Lithuanian memorial: the hill of crosses.
[Draugas, Chicago]

the Soviet Union. Under the continued brutality of Stalin's rule, mass repression, deportation, executions and collectivization continued into the 1950s to break both passive and guerrilla resistance to Soviet rule.

The legacy of the Soviet years is enormous. Under Soviet central planning, agricultural productivity and development were seriously neglected while large scale industrialization was promoted. Industrial enterprises were weaved into the larger Soviet economic infrastructure so that raw materials were imported from distant Soviet regions, and finished products were exported to the Soviet market.

The enormous scale of construction and industrial enterprise required huge labor forces that were imported into the Baltic Republics. Coupled with the mass deportations of Baltic peoples, this flood of primarily Russian workers altered the ethnic map of the Baltic Republics.

Renewed independence

In the mid-1980s, using environmental issues as a protective umbrella, Baltic organizations protested future industrial plans, and spoke out against government excess and inefficiency. Fueled by Gorbachev's program of *glasnost*, the movements became bolder and pushed towards questions of greater national autonomy, and eventual secession.

A split within the Baltic Communist parties developed, with one faction supporting the hard-line from Moscow, while others followed the trend of reform-minded East European communists. In Latvia and Estonia these nationalist ex-communists assumed control of the movements and led the Baltic Republics towards national independence. Their closeness to the old system enabled them to move within communist circles and negotiate behind the scenes. It also, however, dulled the progressive edge of the popular movements, and entrenched much of the old ruling elite into new positions of wealth and authority. In Lithuania, nationalist dissidents, supported by the ex-communists, led the movement through a more confrontational agenda with Moscow.

In a high-stakes chess game, the Baltic Republics and Moscow maneuvered through referendums on self-determination, as politicians attempted to exact more and more concessions on autonomy from Gorbachev. The latter, though he saw the need for reform of the Soviet system, had no plans for its ultimate dismemberment.

In the beginning of 1991, armed Soviet force was used in an effort to derail the independence movement. Despite the killing of dozens of Lithuanians and Latvians, the movements grew stronger and more determined. In the aftermath of the

coup attempt against Gorbachev in August, 1991, the three Baltic States received international *de jure* recognition of their independence.

Picking up the pieces

The greatest long-term problem for the Baltic States is the economic transformation of society. The very economic foundation of the countries, previously part of the grand Soviet

machine, has collapsed. Economic problems run the entire gamut from agricultural to industrial to entrepreneurial.

Industry: The *raison d'être* of the Baltic industrial complex ceased to exist almost overnight, causing internal chaos. Today, without the larger Soviet industrial plan, enterprises are forced to re-orient themselves. Factories are cut off from previously heavily subsidized raw materials, and markets are lost as better quality, shrewdly marketed Western and Asian products enter the Baltics.

As debts accrue at an enormous rate, Baltic industries lose their last marketable advantage: cheaper overhead. A few lucky enterprises have escaped this malaise by adapting to Western markets, but they are the exception rather than the rule. Most industries are faced with decreased productivity, partial employment,

and looming bankruptcy

This industrial dilemma has a precedent in inter-war Latvia. Latvia then, as now, was cut off from its industrial roots. Without the larger tsarist economic plan much of Latvia's industrial economy suffered. Latvian society was faced with the dilemma of reinvigorating the industrial base of the nation, or developing agriculturally. Only one government, the socialist coalition of 1927-1928, pursued a comprehensive industrial plan closely tied to the Soviet Union. The political ramifications divided the country, and ultimately the program was abandoned.

Now the Baltic States face a similar dilemma: whether to remain within the economic and industrial orbit of their larger Russian neighbor, to adjust to western industrial standards, or to abandon industrial pursuits altogether.

Agriculture: Inter-war Baltic agricultural products competed successfully on a European scale. Now, with problems of land privatization, indigenous agriculture's ability to compete even within the local market is in doubt. Already, better quality, more attractive Western agricultural products are replacing home-grown.

State infrastructure: Education, health care, and culture are not able to compete with basic energy needs for the few



dollars in state treasuries. As a result, the mainstays of daily life from child care to guaranteed security for pensioners are vanishing. Infrastructural reconstruction from overhauling ports, replacing telecommunications systems, and creating a legal system, all demand desperate attention.

However, the Baltics have established strong currencies, independent postal systems, working parliaments, and local governments.

Private enterprise: Consumerism and consumption have provided a large market for Western goods, from coffee makers to BMWs. Few Balts, however, can yet afford Western prices.

The slow pace of privatization, coupled with the lack of property ownership laws and the still nonexistent real estate market is seriously hampering sustained corporate investment. However, some types of investment are flooding into the Baltic countries in the form of extractive enterprises that guarantee real returns outside of the Baltics, or into tourist and consumer related trade.

An exemplary case of the problems faced by investors is Kelloggs' sporadic development of a cereal factory outside of Riga. Kelloggs has long been eager to establish a foothold in a potentially lucrative greater Baltic market, but constant legal wrangling over foreign ownership, profit sharing, and the imposing problems of factory construction and operation in a developing country have continuously disrupted the workings of the enterprise.

Corruption: Equally damaging to the development of the economy is the problem of graft, corruption, and the Mafia. The Mafia extorts money from almost all enterprises, and controls entire industries. Particularly attractive is the lucrative international trade (frequently illegal) of metals, atomic materials, weapons and luxury items. Estimates vary, but protection payments to the Mafia amount to roughly from ten percent to 25 percent of returns, an outlay crippling to young enterprises.

Beyond this, all dealings with governmental offices (national, local or regional) require greasing palms to speed processing through a maze of non-systematized rules and regulations.

The environment: This monumental problem facing the Baltic States is one that has proved easier and cheaper to ignore. Ironically, economic collapse has given the environment some reprieve as farms can no longer afford large scale pesticide and fertilizer use, and bankrupt factories no longer dump waste into the environment. The governments, however, realize that the few enterprises that are staying afloat and/or recovering could not possibly afford stringent environmental standards and have therefore turned a blind eye.

The ethnic question

The problem of ethnic minorities is a potentially serious stumbling block for the future of the Baltic States. The proposed solutions range from effectively forcing non-assimilating, non-Balts out of the Baltics (extreme Baltic nationalists) to estab-

lishing a multi-ethnic state (extreme Russian nationalists).

During the years of struggle for national renewal in the Gorbachev era, the great majority of non-Balts firmly supported Baltic independence. The expectation was that citizenship would be granted to all permanent residents with independence. Lithuania, comfortable with a secure Lithuanian majority, adopted this zero option.

Latvian and Estonian politicians, however, feared several consequences. The zero option would grant citizenship to retired and active Soviet army personnel, and their families, and the creation of a multi-ethnic state could endanger Latvian and Estonian identity—concerted years of Soviet russification policies had left a knot difficult to untangle.

Today's Republics are viewed as renewals of the pre-war States and citizenship was immediately conferred to citizens of the old Republics and their descendants, regardless of nationality (thereby giving citizenship to emigrés). In Estonia, non-citizens must apply and register for work and residency permits, an issue that remains unresolved and a sticking point for Russians.

In Latvia, residents that entered Latvian territory after the Soviet occupation are not citizens. The law on naturalization of



Lithuanians take to the street: a more confrontational agenda for independence.
[Draugas]

these residents has become the center of a political tug of war. Originally, the requirements for naturalization centered around years of residency and degrees of a language requirement, but the requirements have become more stringent and the idea of a quota system has emerged.

This would naturalize Baltic nationals, spouses of Latvian citizens and residents born in Latvia relatively easily if they can prove competency in the Latvian language. Individuals who acted against the Latvian state, such as former KGB agents and retired foreign military officers, will not be eligible for citizenship. Residents who were not born in Latvia will begin to be naturalized as of the year 2000, but then at a slow

Baltic Ethnic Makeup

Lithuanian Population by ethnicity (in percentages)

	1923	1959	1970	1989
Lithuanians	69.2	79.3	80	79.6
Poles	15.3	8.5	7.7	7.0
Russians	2.5	8.5	8.6	9.4
Jews	8.3	0.9	0.8	0.3
Others	4.4	2.8	2.8	3.7

Latvian Population by ethnicity (in percentages)

	1897	1920	1939	1959	1979	1989
Latvians	68.3	74.4	75.5	62.0	53.7	52.0
Russians	12.0	10.2	10.6	26.6	32.8	34.0*
Germans	6.2	3.8	3.2	0.1	0.1	0.1
Jews	-	-	4.8	1.8	1.1	0.9
Poles	-	-	2.5	2.9	2.5	2.3
Ukrainians	-	-	1.4	4.3	7.2	8.0
Lithuanians	-	-	1.2	1.5	1.5	1.3

Estonian Population by ethnicity (in percentages)

	1897	1934	1959	1970	1989
Estonians	88.8	88.2	74.6	68.2	61.5
Germans & Swedes	5.4	2.2	---	---	---
Russians	5.1	8.2	20.1	24.7	30.3
Ukrainians	-	-	3.0	3.7	4.9

Source: Anatol Lieven, *The Baltic Revolution*. (Yale University Press, 1993)

* Statistics from 1993 suggest that from 1990, over 94,000 people have emigrated out of Latvia, primarily Russians returning to Russia.

rate that will effectively deny citizenship to some.

How the citizenship law will affect the non-citizen population of the country is unclear. Legislation regarding this matter has yet to be drafted, but if non-citizens are guaranteed full civil rights, the importance of the issue may be defused. If, however, absence of citizenship relegates permanent residents to the status of second class citizens, the problem will remain.

Looking ahead

What does the future hold for the Baltics? The doomsayers see Vladimir Zhirinovskiy as the reincarnation of Russian expansion. They believe that with time he will come to power in Russia and either reconquer the Baltic countries or place them under greater Russian influence. Although Zhirinovskiy is a threat, the prophecies in his rhetoric can be overstated. Even with more political power, Zhirinovskiy would have to deal with powerful forces within Russia who oppose expansion, especially in view of greater international involvement in East Europe and the Baltics. Zhirinovskiy is not a paper tiger, but he is also not Stalin.

Optimistic nationalists see a return to the pastoral paradise of inter-war independence, an equally unrealistic sce-

nario. Although impressive economic progress occurred in the inter-war years, the democratic experiment was aborted before it could develop. The inter-war years must be better understood in order to encourage the positive aspects, but also to avoid repeating the same mistakes.

A grim appraisal of East Europe as a whole sees the Baltics as remaining distant poor cousins to western Europe.

Ultimately, all three scenarios contain elements of truth. The geopolitical picture of the region cannot be forgotten: if democracy and market economics prosper in Russia, the Baltics will prosper as a conduit for trade between East and West. A chaos-ridden Russia will always de-stabilize the Baltics regardless of their internal developments. The threat of 'Sudeten Russians' (a term used to draw a parallel to Sudeten Germans living outside of the Reich that was used as a pretext for Nazi expansion) is very real.

Yet, there is tremendous promise. Already, the Baltic Republics have been rated the most attractive of the Soviet successor states for investment, and as the legal rules and regulations governing trade and commerce are established, the economies will continue to respond. Tourism continues to fuel much-needed currency into Baltic economies.

The small size of the Baltic region is an advantage: problems will be manageable. Modernization of the infrastructure for example is much less daunting than across the expanses of Russia, and investment can affect a larger percentage of the population. A venture that employs 1,000 in Russia would be a drop in the barrel, but in the Baltics it would be a significant contribution to a community.

The Baltic States will be success stories relative to the former Soviet Union, and parts of East Europe, but significant problems and inequities will repeatedly resurface and demand resolution. Still, these countries historically deprived of their nationhood at least have the long-awaited chance at independence. ●

Suggestions for Further Reading

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