Economic Survey of the Baltic States

The Reform Process in Estonia, Latvia and Lithuania

Brian Van Arkadie and Mats Karlsson

This study was initiated by the Swedish Ministry for Foreign Affairs and undertaken by an independent team of experts in collaboration with the government authorities of Estonia,

Latvia and Lithuania



Contents

Map of the Baltic region								
Map of the Baltic states								
List of tables List of figures List of boxes								
					Members of the team Acknowledgements Preface			
1 The transformation of the Baltic	economies	3						
A The forces for change		3						
B National economic sovereig	nty	4						
C Transforming the structure		7						
D Enterprise reform	•	10						
E Impact on the household		13						
F Macroeconomic issues		15						
G Pointers to the future		18						
II An economic profile of the Baltic	states							
2 Lithuania		25						
A The origins of Lithuania		25						
B Towards renewed independ	ence	32						
C Population, geography and		43						
D Structure of the economy		44						
E Economic reform		51						
F The social situation		57						
3 Latvia		62						
A History		62						
B Population, geography and	natural resources	65						
C Recent political developmen	nts	67						
D Structure of the economy		69						
E The government structure a	and the reform process	73						
F The social situation	-	81						
4 Estonia		87						
A History		87						
B Population, geography and	natural resources	89						
C Recent political developmen		93						
D Structure of the economy		95						

	_
171	Contents
VI	COMENIS

	E	Major sectoral developments	99
		Recent economic policy and institutional reform	103
		The social situation	113
Ш	The 1	reform process	
5	The	inherited system and the reform agenda	117
		Background	117
	В	The reform process in the Soviet Union	120
	С	Possible scenarios	124
6		macroeconomic reform process	135
		Introduction	135
		Fiscal and monetary questions under central planning	135
		Long-term goals of macroeconomic reform	138
		Medium-term transitional macroeconomic issues and options	139 147
		Exchange-rate issues	149
	Г	Wage policy	147
7	Exte	rnal economic relations	170
	Α	Introduction	170
	В	Quantitative measures of external relations	172
	С	Changing external economic relations	194
8	Ente	rprise reform and the institutional framework	200
		Reforming the system	200
		Privatisation issues	202
		Privatisation: implementation in practice	207
		New business development	211
		Selecting and managing state-sector enterprises	213
	F	The institutional and policy environment	215
IV	Secto	oral issues	
9	The	labour market	221
	Α	The labour market situation	221
		Structure of employment	226
	С	Wages and non-wage benefits	228
	D	The labour market in transition	230
		Social policies	234
	F	Assessment	237
10		environment	238
		Introduction	238
		Pollution of water, air and land	239
		Environmental management	246
	D	Conclusions	248

		Contents	vii
11	Indus	strv	252
		Introduction	252
		Employment and output by industrial branch	255
		All-union and republican firms	256
	Ď	Branches of industry	259
		Strains on the old system and the emergence of new actors	262
		Future industrial strategy	270
		Policies in the outside world	273
12	Agric	culture, forestry and fishing	275
	A	Background	275
		Basic conditions for agriculture	278
	С	Organisation and privatisation of agricultural production	280
		Farm inputs	283
		The food-processing industry	287
	_	Food trade	289
		Some future issues	293
		Forestry	294
	I	Fishing	297
13		sport and communication	299
		Operations of the transport sector	299
		Government policy	311
	С	Commercial prospects and limitations facing the transport	
	_	sector	315
	D	Telecommunications and mail services	318
14	Ener		321
		Introduction	321
	_	Demand	321
	C	Supply	324
	D	Energy management in transition	334
	E	Conclusions	337
Bil	oliogra	aphy	341