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## Soviet Union (Russia) And The Baltics: Who Owes What To Whom?



PHOTO: GATIS KRUMINS PERSONAL ARCHIVES

The smallest photo camera in the world in the 1930s, VEF Minox, produced in Latvia before Soviet occupation.

Linus Jęgelevičius

Regardless of whether there is a thaw, chill, or frost in future relations, the perennial conundrum — what owes what? — will haunt the dealings of Russia, the inheritor of the Soviet Union's rights, and the Baltic States of Estonia, Latvia, and Lithuania for years to come. Well, unless Russia someday chooses a democratic path and forges a political path to it. What is the defunct Soviet Union's inflicted damage upon the Baltic States? Some new research on the quintessential topic sheds some fresh light on it. *The Baltic Times* sat down to talk about the Soviets' harm with Gatis Kruminis, rector of Latvia's Vidzeme University of Applied Sciences, and Terese Birute Burauskaitė, director of the Genocide and Resistance Research Centre of Lithuania.

Can the question "What-owes-what?" be answered properly considering the

intricacy and unclear methodology of the issue?

Gatis Kruminis: Of course, we can define the question in different ways, but the main idea, in my opinion, is to understand the economic processes of the Soviet time, and find correct, research-based answers to several questions, and one of which can be "what-owes-what."

I think that it is more important for our society to understand some important trends in our history. If you ask me why it is so important now — a quarter of a century after the collapse of the USSR — my answer is, because of the geopolitical situation, because the leading Kremlin politicians in the Russian Federation are trying to restore relations with other countries in the former USSR area with Soviet methods, only changing the word USSR to Russia. And in communication with society, in Russia and the neighbouring countries, and the

entire world, they are using the same arguments, based on Soviet propaganda: about large investments and help to the Baltic States during the Soviet occupation period. The Kremlin is trying to strengthen this upon the lies based on the Soviet myth in a new "sauce": about the unsuccessful development of the Baltic States before and after the Soviet occupation. With the help of this myth, they are constructing another, a new myth about the biggest geopolitical catastrophe of the 20th century — the collapse of the USSR.

We should deconstruct this Kremlin propaganda with research-based arguments. This is a very important aspect — our society, our young generation should know the truth about the Soviet occupation period and many socioeconomic aspects of this period. I see that the influence of the propaganda nowadays is pretty great, and when disinformation-based narratives prepared on an

incorrect historical basis are transferred to society, we should provide a correct alternative. If somebody thinks that we can withdraw from independence (fully or partly) and after that we will receive some payments or investments from the East because it is our historical experience in relations with the USSR, that is totally wrong. So this aspect is much more important — to show the truth about past relations. From my point of view, the question about compensations and payments is a secondary thing.

Terese Birute

Burauskaitė: The Baltic States have answered this question preliminary. Back in the year of 2000, Lithuania's Institute of Economics and Privatisation handed to the then-Lithuanian government an extensive and generalised report on the damage done to Lithuania by the Soviet regime between 1940 and 1941 and the Soviet Army until the latter's pullout in 1993. The damages were assessed at

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## Estonian PM: EU migration crisis under control

BNS/TBT Staff

Estonian Prime Minister Taavi Roivas acknowledged the European Union for getting migration under control at his meeting with the EU commissioner for migration, home affairs, and citizenship, Dimitris Avramopoulos, in Tallinn on Monday, Oct. 17.

"Although migrant flows have receded and relocation of refugees has finally got off the ground, the results are not cause for satisfaction," a spokesman quoted Roivas as saying. "On the contrary, the work must go on and much remains to be done."

"Estonia is fulfilling its obligations and we have chosen the right path in running a thorough background check on people before bringing them here," the head of the government said. "It is important for all EU member states to keep their promises," he added.

Roivas recognised the establishment of the European Border and Coast Guard Agency which he said is a significant step forward in defending the external borders of the EU. In his words, the key element of border guarding is faultlessly functioning information systems that all internal security agencies across Europe must be able to use.

## Baltic market to grow twice after gas pipeline with Finland is built

BNS/TBT Staff

Estonia's state-owned transmission system operator Elering and Finland's state-owned company Baltic Connector have signed an agreement on co-operation in building the undersea section of the Balticconnector project to link together the natural gas transmission systems of Estonia and Finland.

Dominykas Tuckus, a member of the management board at Lithuania's state-owned energy group Lietuvos Energija (Lithuanian Energy), says that the region's gas market would double in size thanks to the project and opportunities for finding new customers would open up.

"For us as traders, this means potential market growth — around 3.5 billion

additional cubic metres, practically, as many as we have in the Baltic countries now. Certainly, competition would increase, but there would be a higher potential as well," he said.

In Tuckus' words, it is too early to discuss a search for customers in Finland as more details about the project, which is planned to be

completed in 2020, are yet to be unveiled.

The management board member underlined the importance of creating a common market. The Baltic countries and Finland are currently in talks on harmonising gas trade, scrapping entry-exit points at borders between the Baltic States, and other standards.

Balticconnector calls for building a 150-kilometre transmission pipeline, including 80 kilometres on the seabed, to link Estonia's natural gas grid to that of Finland. The total cost of the project is estimated at 250 million euros, with 187.5 million euros to be covered by the European Union. The interconnector is planned to be built by 2020.



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## Does the perennial conundrum matter after all?



Linas Jegelevicius

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*When your mate shuns you over the debt of 100 euros that you've given him to help him wriggle out of an awkward situation, all, more or less, is clear.*

*In claiming it, you will have to do all the talking, tugging at the invisible strings of his consciousness or mull legal action if the former does not work. And, well, you even may want to grab the disgraced pal by the scruff of neck and shake a bit to bring about the remainder of his remorse.*

*Violence, however, does no good, so I clearly discourage this alternative.*

*In the dealings between two nations, issues of debts, however, can be a whole lot more intricate and hard to sort out because of the dozens of methodologies applied to the matter.*

*In this issue, The Baltic Times has touched on a situation of debt that tantalises many Baltic historians (statisticians, economists, and others equally) and irks their Russian counterparts, to say the least.*

*Well, you've heard the debates and all the pouting involved: After 50 years of involuntary membership in the USSR, what is owed to whom? (The acronym is deciphered so: Union of Soviet Socialist Republics.)*

*Although the formation ceased functioning 25 years ago, the issues of debt between the once-mammoth empire and its former Baltic satellites have not gone anywhere, with sides trading barbs — and chucking numbers at each other from the non-existent economy — in the midst of the relationship's new lows.*

*Not coincidentally, either, amid the standoff between the West and Russia, the issue — who owes whom what? — has surfaced anew with several Baltic historians working on the research.*

*Although Jelena Zubova, a Russian historian, who agreed to weigh in on the issue for our cover story, says that her fellow historians deem the question "inflated" and "irreconcilable" due to its political nature, a quick search on the topic in Russian media turns up the opposite — endless leads to Russian (quasi) pundits' "research of the kind." (Additionally, she speaks of the coercive nature of the Baltics' incorporation in 1940; some of her conclusions regarding that are outlandish.)*

*Russia, the inheritor of the Soviet Union's rights, and the Baltics have yet to hammer out a single position on the Soviet past. Then concord between them regarding who was a recipient and who a donor will be easy to reach.*

*In other words, a political solution is needed for that and it is nowhere to be seen for years to come, unless Russia chooses a path of democracy someday. Another improbability.*

*But perhaps, as Latvian scholar Gatis Krumins, on whom The Baltic Times relied most for the debt story, put it — not the size of the debt matters most today, but the necessity of deconstructing Russia's narrative of the allegedly successful Soviet-ruled Baltics.*

*With Russia's spunk to restore its status as a superpower, this indeed is of utmost urgency for us all.*

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294.5 billion US dollars to the exchange rate valid in 1999. The amount has, however, spiked to 780.2 billion US dollars, again to the US dollar exchange rate in 1999, according data by the United Nations. The exile of 29 per cent of Lithuania's population constitutes the bulk of the damage in our estimation, equaling 85.4 billion US dollars.

Speaking of what owes what, the Soviet Union's inflicted damage to Lithuania, to the Lithuanian Institute's estimate, is 3.3 times greater than the value of all Soviet Lithuania's main industrial and non-industrial funds available in early 1990. The United Nations has assessed it at 9.2 times.

**What famous research done on the subject, both in the Baltics and Russia, could you point to?**

**Gatis Krumins:** In the last 10 years a group of researchers have calculated the losses from the Soviet occupation in Latvia; the main directions of the research were the economy and finances, environment and ecology, demography, and losses from the occupation forces — the Soviet army. The research has some financial support from the Latvian state, from a state established commission. In Estonia 10 years ago a book was published — White Book, about the losses of the Estonian nation during the occupations (both Soviet and German, 1940-1991). The work in this area is not finished. During the last five years I have worked with documents in the Latvian state archives, and this summer I finished research work about the economic and financial relations between Latvia (Latvian SSR) and the USSR during the occupation period. I found documents (formerly of a "secret" status) — accounting reports on all revenue and expenditures in Latvia, both in the budgets of the USSR and Latvian SSR in the period of 1946 to 1991. So I have estimated a financial balance of Latvia in the whole Soviet occupation period after World War Two. After finishing my work with the Latvian documents, this summer I visited archives in Estonia and Lithuania. And I have found similar documents and have done the first calculations about the post-war period. Therefore, I can present the first conclusions about the territories of the Baltic States in general — in the post-war period we transferred more money to the central Soviet budget than we received in return. So the investments in the economy and infrastructure were financed from the money of the Baltic territories. At the same time we unfortunately also funded the whole Soviet army and the secret services in our territories.

Last December a thick book (more than 1,000 pages) was published in Moscow — archive documents about the economic relations between the Baltic States and Russia, 1953-1965. Unfortunately, these documents mostly show

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Gatis Krumins, rector of Latvia's Vidzeme University of Applied Sciences.

only one side of our relations — what and how much was invested in the territories of the Baltic States. There is nothing about the income in the central budget, nothing about the military budget. The responsible editor of this

**"We should deconstruct this Kremlin propaganda with research-based arguments. This is a very important aspect — our society, our young generation should know the truth about the Soviet occupation period and many socioeconomic aspects of this period. I see that the influence of the propaganda nowadays is pretty great."**

book is Jelena Zubkova; we met some years ago in Moscow and Riga, and eight years ago she published a book about the Sovietisation of the Baltic States. Unfortunately, she changed the terminology (from occupation to inclusion, incorporation), and she used only references from Soviet authors and statistics. I have sent some documents to Jelena this winter, for evidence of my methodology and results, but I think she cannot use them because they are still secret in Russia.

**Terese Birute Burauskaite:** The topic of damage has been researched or is still being scrutinised by Dr Kalev Kukk, professor of Estonia's Tallinn University; Teimuraz Papaskiri, professor of Ivane Javakhsishvili Tbilisi State University in Georgia; Dr Dariusz Rogut, professor of Jan Kochanowski University in Poland; and some others, including Latvian Gatis Krumins.

**What has your research on the subject of the book-keeping between the Soviet Union and the Baltics revealed? Can it be deemed credible from the perspective of statistics, methodology, etc?**

**Gatis Krumins:** The main

source of my research is archival documents. A large part of the documents was related to the Ministry of Defense and the Ministry of State Security (after KGB) marked "strongly secret."

All the revenue from the territory were divided into two parts — to the republican and the central budget. The results were collected in one large document (with former scrupulous descriptions, and divided into many smaller sections — different taxes, other income, etc.), and the summary contained the sums channeled to the central and the republican budgets. After receiving the accounting reports and checking them, the Central Bank office sent feedback from Moscow at the end of January. We can just thank the bank clerks for scrupulousity and the perfect order of keeping all documents in the document folders.

The accounting reports show the economic trends in different decades, and the priorities of the Soviet regime in the Baltic States. The highest level of centralisation in economy and finances was during Joseph Stalin's time, when three-fourths of all revenue was first transferred to the Soviet central budget and after that a part of it returned back. After the death of Stalin we clearly can see reforms in decentralisation, the responsibilities of the republics increased significantly, and the military expenditures were growing more slowly. But at all times (here I can talk about Latvia, where my research is finished) we paid more in the central budget than we received back. Throughout the occupation period there were only two exceptions when the Soviets spent more money in Latvia than they took — in 1954 and 1990.

In 1954 we received compensation for agricultural products; I think this was related to Lavrentiy Beria policy after Stalin's death and the fights for leadership in Moscow — Beria looked for allies in the Baltic republics. That was not the only thing during this time — he started a policy for a more intensive use of local languages and other activities to respect the national interests of the Soviet republics more. In 1990, after our declaration of independence (May 4), the new Latvian government stopped the money transfer from the local economy to the central Soviet budget. This was a very important aspect fastening the collapse of the USSR, because after the Baltic States many republics, including

Ukraine and Russian Federation, reduced the financing of the central budget. In the middle of 1991 the budget deficit of the central Soviet government was more than 40 per cent.

**Terese Birute Burauskaite:** Our Centre has partaken in calculating demographic losses that Lithuania had endured through the Soviet occupation and the repressions during that period. Our Centre has garnered a lot of data about Lithuanian citizens who perished during the regime. The data include not only archival records, but are also supplemented with data that we obtained through interviewing the tragic events' witnesses, exiles' relatives, and so on. Four volumes of the book "Genocide of Lithuanian Inhabitants" have been already published and we are working on the fifth which will consist of two books. The data are precise and reliable.

**Which of the three Baltic States has been more of a recipient in terms of the economic relations with the USSR? Which has been more of a contributor? What has determined this?**

**Gatis Krumins:** I can comment on all three Baltic States after the war period between 1946 and 1950. First, there were no Soviet investments in the Baltic economies from specific centralised sources during this time. We paid more to the central budget than we received back. In reality we paid for the development of other regions in the USSR.

Lithuania's economic situation, both at the time of the occupation, as well as the post-war years, was considerably more complicated than that of Latvia and Estonia, but also Lithuania transferred larger amounts to the Soviet budget than those coming back to Lithuania. Thus, from Lithuanian earnings the Soviet regime not only funded the fight against the national resistance movement, but also some of the money was channeled to other purposes outside the territory of Lithuania.

In 1949 the revenue of the Lithuanian territory (the USSR and the Lithuanian SSR budget together) was 2.617 million rubles, while the expenditures in Lithuania, including the military and repressive institutions, were 2.458 million rubles. Thus, 159 million rubles were channeled outside the territory of Lithuania. The situation was quite similar in Estonia in 1949 — the total revenue of 2.642 million rubles, while the expenditures were 2.503 million, so the "profit" of the Soviet regime was 139 million rubles. The relatively largest amount — 526 million rubles that year — was invested in the Soviet central budget without returning by Latvia. The total revenue in Latvia that year was 4.381 million rubles. The conclusion — the Baltic States in 1949 not only covered all the military and repressive forces on their own

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territories, but sponsored the Soviet central budget with 824 million rubles.

In the 1940s, in Lithuania much higher amounts were spent on the Ministry of State Security and the Ministry of Interior than in Latvia and Estonia. This is because of very active national resistance activities against the Soviet occupation regime in the post-war years. In 1948, more than half a billion rubles of the Soviet budget were spent on the needs of the Ministries of the Interior and National Security which is more than in Latvia and Estonia together in the same year.

Overall, the total revenue in the occupation period (1946-1990) from the Latvian territory in the Soviet central budget were 40.6 billion rubles, but the expenditures were 24.7 billion rubles. So we paid 15.9 billion rubles more than we received back.

This is 18.8 per cent from the total revenue (85 billion rubles — the central and republican budgets together) from the Latvian territory. It is the result of the Soviet cohesion policy; more developed territories supported the less developed. It was not voluntary, but the decision of Moscow. We financed the Soviet army, and all the profit from our economy was transferred to the USSR.

### What could the path of



Terese Birute Burauskaite, director of the Genocide and Resistance Research Centre of Lithuania

the Baltics' development likely have been if not for the Soviet occupation back in 1940?

**Gatis Krumins:** If we compare the Baltic States, in particular Latvia and Estonia, with other European countries in 1940, we were above the average level. Approximately at the level of Finland. The quality of life was high; for one month's salary a middle class worker in Latvia could buy more than a middle class worker in Germany. We were countries with a high development potential. In Latvia before the Soviet occupation, we produced cars, planes, complicated agricultural machinery, modern designed radios, and the smallest photo cameras in the world — VEF Minox. In 1939 the hydroelectric power plant Kegums started work. Unfortunately normal development of our countries was stopped by World War Two and the Soviet occupation. The Soviets developed industry in our countries, but this industry was important for Soviet needs, for the Soviet military

complex, and all profit went to the Soviet central budget. Investments in social needs were very small. Hundreds of thousands of immigrants without roots, and the official propaganda says — you are welcome, you are building socialism in the poor underdeveloped republics. Of course, there was no integration policy during this time, and if somebody asked to learn the local languages, he was called a nationalist.

We were in a much worse situation than the Soviet satellites in Europe (East Germany, Poland, Czechoslovakia, etc.). Because we were a part of the Soviet Union, we paid a lot of financial resources to the Soviet central budget; we financed the Soviet army in our territories. Our economic integration in the USSR was deeper. Our industry worked for the military needs and this is the answer why the industry collapsed after the collapse of the Soviet regime. It was not possible to switch the direction of factories which were focused on specific military orders for decades.

It was much more complicated to rebuild our economies after the collapse of the USSR than after World War One in the 1920s. The economic model was very different; as was the education, experience, and understanding of free market and real democracy in government.

### Terese Birute Burauskaite:

When assessing the damage, a comparative analysis of various statistical data has been done, too. For example, based on the USSR's statistics, we put the average damage per Lithuanian resident in 1990 at 79.61 thousand US dollars. Assessing it from the perspective that the average Dane's annual income in 1990 was 21.8 thousand US dollars and the Finn's constituted 22.7 thousand US dollars, the harm done to Lithuania equals to Finland's entire income of 2.8 years, or similarly, Denmark's of 2.9 years. Drawing the numbers, deferred (not-received) income, a result of the coercive and ineffective nature of the Soviet economy was taken into consideration too, and the numbers were compared with neighbouring states that had not endured Soviet annexation. The calculations were carried out using six different schemes and, in every case, they were compared with respective income obtained between 1950 and 1990 by Finland, Denmark, Sweden, and Ireland. So ac-

ording the United Nations' methodology and statistics, Lithuania, between 1950 and 1990, has not received around 426.5 billion US dollars, to the exchange rate of 1990. And even though a similar estimation based on the USSR's Central Statistics Board is significantly lower; at 199 billion US dollars, the amount is nevertheless staggering.

**Have you been able to access the statistical data archives in Moscow? How is the information they contain different from the similar data in Vilnius, Riga, or Tallinn?**

**Gatis Krumins:** The last time I was in Moscow was seven years ago. A lot of documents in Moscow and the Baltic States are identical, for example, the statistical reports (the responsible organisation for the preparation was the branch of the central Soviet bank in Riga) — our branch sent one copy to Moscow, and the second copy to its own archive in Riga. The difference is in availability — a lot of documents in Moscow are still secret, but in the Baltic States everything is available.

But there are a lot of interesting documents in Moscow about relations with the Baltic States, the reports from several commissions, representatives of institutions, about the situation and the central government plans in the Baltic States. I can give one example. In March 1949, the largest deportation of civilians from the Baltic States to Siberia was realised. But there was no information about the preparation of this action. In Moscow, I found documents from the autumn of 1948, where the representatives of several institutions reported to Moscow about the situation after visiting Latvia, regarding the progress in collectivisation and discussions with the Latvian Soviet government about possible deportations. Latvians tried to prevent the deportation and fast collectivisation; the head of Latvian Communist party Janis Kalnberzins said in the discussions with the Moscow representatives that he could still go to work on foot, but Snieckus in Vilnius should drive with an armoured car or tank because of deportations and repressions in Lithuania. Such documents are only in Moscow. A lot of documents in Moscow about the decisions of the central Soviet government, everything related to the military sphere or KGB are still secret.

**Do you think Russia, the inheritor of the USSR's rights, should be held accountable for the shift in the Baltics' development**



Jelena Zubkova, historian, author of the book "Pribaltika\* and Kremlin"

**Jelena Zubkova, historian, author of the book 'Pribaltika\* and Kremlin':**

*It is a very complex issue and, foremost, it is artificial and blown out of proportion for political reasons. Thence in the latest Russian books of Soviet history, the question is never usually raised. Although I do not doubt that the Baltics' incorporation into the Soviet Union back in the 1940s was of the coercive nature, the states of Estonia, Latvia, and Lithuania had passed all the technical formalities of accession. But after that, the Kremlin, as the embodiment of Soviet power, had to funnel a lot of pecuniary resources into the Baltic countries, adapting them to the new economic realities. And here's where the heated discussions flare up with some, usually those in the Baltics claiming that the Soviet path of development has been disastrous for the three Baltic States, and with the others, most of whom are Russian historians, insisting that the Baltics' development has been significantly boosted by the Soviet Union. As a matter of fact, I am inclined to support that notion, as it was the Soviet Union that in the Baltics created entire new industries, like light and heavy machinery industries, back then. Once again, with the occupational character of the Baltics' joining the Soviet Union, the latter yet has served as a big boost for the three Baltic economies. You just won't find many coer-*

*cion-based regimes as that of the Soviets in the 1940s around which would have acted similarly — investing heavily in their new satellites. The allegations by the Baltic States that the Soviet Union has ripped their own off is absolutely unfounded and, again, politically motivated. The economic relations were mutually beneficial, I'd say. I am aware that some opponents insist that the Baltics' economic advancement would have been today similar to that of Finland, for example, if they had not been incorporated into the Soviet Union. However, as a historian who has spent quite some time researching the archives, I need to note that Finland's rise to today's economic glory has been quite rocky, with the country struggling over all the post-World War Two years to choose the right model of economic development. In no way, one, respecting himself or herself as a scholar, could claim that Latvia or Lithuania's path of economy could have been like Finland's. If not for the boost from the Soviet Union, the three Baltic countries would not have made progress in machinery development for years to come, although the Latvians had had quite good prewar traditions in manufacturing some state-of-the-art equipment. So to sum up, the question — what-owes-what? — is absolutely hypothetical and, as I said, a fodder for political speculations.*

*\*this is the Russian name for the Baltic region*

**following the aggression in 1940?**

**Gatis Krumins:** I think it is not important. Russia should change its strategic philosophy; I believe it is a big mistake of today's Russian political elite in communication with the world and society in Russia trying to construct narratives about the success story of the USSR. The collapse of the USSR was not the biggest geopolitical catastrophe in the world in

the 20th century; the biggest catastrophe was the creation of the USSR and its satellite system after World War Two. If Russia understands that, it will be the biggest compensation for us.

### Terese Birute Burauskaite:

Indeed, Russia has to be held accountable for the suppression of the Baltic States' development occupation in 1940.



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