

# THE BALTIC Times

SUMMER MAGAZINE 2018

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***Gints Vins, a supreme networker  
whose business-building style works  
perfectly in today's world of movers  
and shakers***

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# The Soviet Union who owes

Linus JEGELEVICIUS

Regardless of how Russia and the Baltics will deal with each other over the next 100 or 1,000 years, the insolvability of one question, namely of the damage cause to the latter by the former over the period of its 50-year occupation, is more likely than to harm relations than anything else. How would the Baltic economies look now if the Soviet Union hadn't annexed Estonia, Latvia and Lithuania? Would the three states be like Finland today? To find out, *The Baltic Times Summer Magazine 2018* sat down to talk with Gatis Krumins, the Rector at Latvia's Vidzeme University of Applied Arts and a prolific Baltic researcher into Soviet-era damage.

Can the question 'Who owes what to who' be answered properly considering the intricacy and vague methodology of the issue?

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 those can be 'who owes what to who'. I think that it's more important for our society to understand some important trends in our history. If we know the truth about history, we can build our strategies for the future. If you ask me why it's 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 with Soviet methods, only changing the word USSR with Russia. And in communication with society, in Russia and the neighbouring countries and the entire world, they're using the same arguments based on Soviet propaganda about large investments and help given to the Baltic States during the Soviet occupation period.

The Kremlin is trying to strengthen this using lies based on the Soviet myth about the unsuccessful development of the Baltic States before and after the Soviet occupation. With the help of this myth, they're constructing another 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 period of Soviet occupation and the many socioeconomic aspects of this period.

I see that the influence of propaganda is pretty great nowadays, and when disinformative narratives prepared on a wrong historical basis are transferred to society, we should provide the correct alternative. If somebody thinks that we can withdraw from the in-



*Gatis Krumins is Rector at Latvia's Vidzeme University of Applied Arts*

dependence, either fully or partly, and after this we'll receive some payments or investments from the east because it's our historical experience in relations with the USSR, it's 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.

Disinformation and manipulation methods were used profusely in the past, and because of the success of this approach the Kremlin propagandists are trying to use similar methods and approaches today. One example. During the post-Second World War Soviet occupation period there was a significant difference between the living standards in Latvia and Estonia and other territories of the USSR, especially during the 1940s and 1950s. Year on year this difference decreased, but we were always reminded. And how did the Soviets explain this situation? Not with the real situation before the Soviet occupation and the considerably higher standards of living and the economic situation in Latvia and Estonia compared to the situation in the USSR but with large Soviet investments in both countries after the Second World War. And at the same time the Soviets declared that the Baltic countries were completely agrarian and underdeveloped before the occupation. Total lies, but it worked! After visiting our countries, tourists and immigrants from different parts of USSR exclaimed, 'And all this is with our money!' And this was a first weapon in



# and the Baltics: what to whom?



*Long queues were part of the life during the Soviet era*

the 21st-century Kremlin narrative about the 'ungrateful Balts'.

**Has there been much research carried out on the subject in the Baltics and Russia?**

In the last 10 years a group of researchers have calculated the losses from the Soviet occupation of Latvia. The main themes of the research were the economy and finance, the environment and ecology, demography and losses from the occupying Soviet military. The research received some financial support from the Latvian State, from a state established commission. In Estonia 10 years ago a book was published, *The White Book on the Losses of the Estonian Nation during the Occupations (both Soviet and German, 1940 – 1991)*. Also the Lithuanians carried out research in this area after the restoration of independence. The work isn't finished. During the last five years I've worked with documents in the Latvian State Archives, and this summer I completed a research project about economic and financial relations between the Latvian SSR and the USSR during the occupation period. I found documents (formerly in a 'secret' status) in the form of accounting reports on all revenue and expenditure in Latvia, both in the USSR and Latvian SSR budgets between 1946 and 1991. So I've estimated a financial balance of Latvia during the entire Soviet occupation period after the Second World War. After finishing my work with the Latvian documents, last summer I visited archives in Estonia and Lithuania. And I've found similar documents and have made the first



*The VEF Minox, the smallest camera in the world during the 1930s. The camera was made in Latvia, a technologically advanced country at the time*

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**I see that the influence of propaganda is pretty great nowadays, and when disinformative narratives prepared on a wrong historical basis are transferred to society, we should provide the correct alternative**



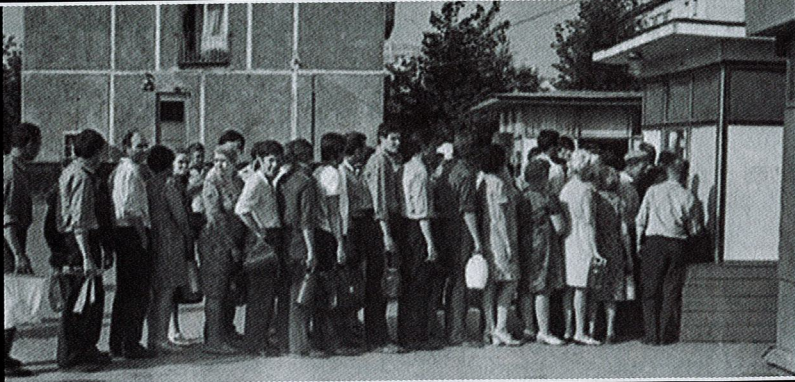
Группа Д. Расходы по специально-квартальным мероприятиям, судам, пообедать и возмещение органов госуд. службного управления.

Символ счета-носки	Наименование ведомств	Кассовый расход
195	Министерство государственных продовольственных и материальных резервов .....	576,493-23
179	Министерство вооруженных сил СССР .....	172,503,714-10
181	Министерство вооруженных сил СССР (пенсии) .....	11,343,805-21
163	Министерство внутренних дел СССР .....	205,999,866-71
185	Министерство внутренних дел СССР (пенсии) .....	2,051,816-53
187	Министерство государственной безопасности СССР .....	304,233,407-56
169	Министерство государственной безопасности СССР (пенсии) .....	876,595-29
Итого по группе Д.		697,744,275-68

Группа Е. Прочие расходы

Символ счета-носки	Наименование расходов	Кассовый расход
Итого по группе Е		
Итого по всем трем группам		766,427,207-93
Итого по ведомству В.И.Д. общего счета .....		414,692,539-
Итого всех платежей по специальному бюджету, который должен быть равен сумме перечисленного бюджета по балансовому счету В.И.Д. ...		1,106,219,966-93

УПРАВЛЕНИЕ ЛИТОВСКОЙ РЕПУБЛИКАНСКОЙ СЛУЖБЫ БЕЗОПАСНОСТИ  
 СТАРИНА СОВЕТСКИЕ ФИНАНСОВЫЕ ЗАПИСИ /ЛИТОВСКИЙ/



A queue for beer and vodka during the Soviet period was as common as a queue for anything else

*A copy of a Soviet document on Soviet expenditures in Lithuania from the Lithuanian State Archive*

calculations about the post-war period. Therefore, I can present the first conclusions about the territories of the Baltic States in general. During the post-war period we transferred more money to the central Soviet budget than we received. So the investments in the economy and infrastructure were financed using Baltic money. At the same time we unfortunately also funded the entire soviet military and secret services in our territories.

A couple of year ago a thick book of more than 1,000 pages was published in Moscow made of archive documents about economic relations between the Baltic States and Russia between 1953 and 1965. Unfortunately, these documents mostly show only one side of our relations, ie. what and how much was invested in the territories of the Baltic States. There's nothing about the income in the central budget, nothing about the military budget. And Moscow has stated that this book deconstructed the myth about the Soviet occupation. If we compare both methods, mine and their, I used all expenditures and revenues, but the Russian researchers only one side, the expenditures. And also partially. There isn't a single word about the military sphere. You can describe hundreds of projects where some central ministries participated with some investments because the integration level in the Soviet economy was very high, but without some general analysis of how much was spent and how much at the same time was obtained, you can't answer the general question 'Who was the real investor and who was the receiver?' The responsible editor of this 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 sent some documents to Jelena this winter, for evidence of my methodology and results, but I think she can't use them because they're still secret in Russia.

A very important aspect for the Baltic countries is cooperation in different fields, not only in economics, but also in research, strategic communications and media literacy. We have the same problems, and our answers in resistance to this disinformation will be stronger if we cooperate. For example, in the previous year, when the Russian Ambassador in Lithuania publicly stated that Lithuanian should pay compensation for Soviet investments (US\$72 billion), I immediately answered on the basis of my re-

**If we compare the standard of living in the Baltic States, in particular in Latvia and Estonia, with other European countries in 1940, they were above the average level, approximately on a par with Finland. The quality of life was high. The average middle class salary was higher than the equivalent in Germany**

search in the Lithuanian archives. My message was published in Lithuanian and Russian, in Latvia and Lithuania. The results of my research were published in Estonia, Ukraine and elsewhere. All post-Soviet regions should cooperate and strengthen their societies with education. Because of this reason, in our university in this autumn we'll begin two new Master's study programmes in English, Media and Information Literacy, and Strategic Communication and Governance. Our region and the entire Western community need specialists in these areas. We should explain our history and specifics in our relations with Russia not only for our society but for our strategic partners in the West. If we create a joint communication platform, our voice will be much stronger.

**What has your research on the subject revealed? Can it be deemed credible from the point of statistics, methodology, etc?**

The main source of my research is archive documents, the originals of the central accounting reports about the revenues and expenditures of the central Soviet and republican state budgets, prepared by the Soviet Central Bank branches in the capital cities of the Baltic States and signed by responsible persons such as the heads of the branches and the chief accountants. At the end of each year central accounting reports were prepared in these branches on the basis of monthly reports containing information collected from various smaller branches in cities and districts. A large part of the documents were related to the Ministry of Defence and the Ministry of State Security and were marked 'strongly secret'. All the revenues from the territory were divided into two parts, namely the republican and the central budgets. The results were collected in one large document (with former





*The Red Army tanks rolled in central Riga on Jun. 17, 1940, marking the beginning of an annexation that would last for 50 years*

scrupulous descriptions, and dividing in many smaller sections, different taxes, other incomes etc.), and the summary contained the sums channelled 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 their scrupulosity and the perfect order of the documents they kept.

The accounting reports show economic trends during different decades and the priorities of the Soviet regime in the Baltic States. The highest level of centralisation within economy and finance was during the time of Joseph Stalin rule when three quarters of all revenues were first transferred to the Soviet central budget and after that a part of it returned back. After the death of Stalin we can clearly see reforms in decentralisation, the responsibilities of the republics increased significantly, and the military expenditures were growing more slowly. But during all times (here I can speak about Latvia where my research is finished) we paid more into 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 compensations for agricultural products. I think this was related to Lavrentiy Beria's policy after Stalin's death and the fights for leadership in Moscow when Beria was looking for allies in the Baltic republics. This wasn't the only thing during this time. He started a policy for a more intensive use of local languages and other activities in order to further respect the national interests of the Soviet republics. In 1990, after our declaration of independence on May 4 the new Latvian government stopped the money transfers from the local economy to the central Soviet budget. This was a very important aspect connected to the collapse of the USSR because after the Baltic States many other republics, including Ukraine and the 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 percent.

**Which of the three Baltic States has received more in terms**

**of the economic relations with the USSR? Which has been the biggest contributor and what determined the uneven numbers?**

I can comment on all three Baltic States during the 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 into the central budget than we received back. In reality we paid for the development of the 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 into the Soviet budget than it received back. Thus, from these Lithuanian earnings the Soviet regime not only funded the fight against the national resistance movement but also some of the money was channelled into 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 roubles, whilst expenditure in Lithuania, including the military and repressive institutions, was 2.458 million roubles. Thus, 159 million roubles were channelled outside the territory of Lithuania. The situation was quite similar in Estonia. In 1949 the total revenue was 2.642 million roubles whilst expenditure was 2.503 million, or a 'profit' for the Soviet regime of 139 million roubles. The largest amount, 526 million roubles that year, was invested into the Soviet central budget without returning by Latvia. The total revenue in Latvia that year was 4.381 million roubles. In 1949 the Baltic States not only covered all military and repressive forces with its own territories but also sponsored the Soviet central budget with 824 million roubles.

In Lithuania in the 1940s 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 the very active national resistance activities against the Soviet occupation regime during the post-war years. In 1948, more than half a billion roubles from the Soviet budget were spent on the needs of the Ministries of the Interior and National Security, which was more than in Latvia and Estonia combined.





Overall, the total revenue in the occupation period between 1946 and 1990 from the Latvian territory in the Soviet central budget was 40.6 billion roubles, but the expenditures just 24.7 billion roubles. So we paid 15.9 billion roubles more than we received back.

This is 18.8 percent (of the total revenue of 85 billion roubles of the central and republican budgets together) from the Latvian territory, the result of the Soviet cohesion policy of the more developed territories supporting the less developed ones. It wasn't voluntary, but Moscow's decision. We financed the Soviet military and all the profits from our economy were transferred to the USSR.

**Where would the Baltic States be now if it hadn't been for the Soviet occupation?**

If we compare the standard of living in the Baltic States, in particular in Latvia and Estonia, with other European countries in 1940, they were above the average level, approximately on a par with Finland. The quality of life was high. The average middle-class salary was higher than the equivalent in Germany. We were countries with a high development potential. In Latvia before the Soviet occupation we produced cars, planes, complicated agricultural machinery, modern radios and the smallest camera in the world, the VEF Minox. In 1939 the Kegums hydroelectric power plant started working. Unfortunately, the normal development of our countries was stopped by the Second World War 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 towards the Soviet central budget. Investments in social needs were very small. Hundreds of thousands of immigrants without roots, and the official propa-

ganda says 'you're welcome. You're building Socialism in the poor underdeveloped republics. Of course, there was no integration policy during this time, and if somebody asked to learn a local language 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 into the Soviet central budget. We financed the Soviet military in our territories. Our economic integration into the USSR was deeper. Our industry worked for military needs and this is the answer as to why industry collapsed after the collapse of the Soviet regime. It wasn't 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 the First World War. The economic model was very different, as was education, and the experience and understanding of the free market and real democracy in government.

**Do you think Russia, the inheritor of the USSR's rights, should be held accountable for the shift in Baltic development due to its aggression in 1940?**

I partly answered this before. I think it's not important. Russia should change its strategic philosophy. I believe this 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. It was the creation of the USSR and its satellite system after the Second World War. If Russia understands that, it will be the biggest compensation for us.

1 <http://www.riigikogu.ee/wp-content/uploads/2015/02/TheWhiteBook.pdf>

2 Советская модель экономики - союзный центр и республики прибалтики 1953 г. - март 1965 г. Москва 2015.

3 <http://www.rubaltic.ru/article/kultura-i-istoriya/17122015-okkupacija/>

4 Елена Зубкова. Прибалтика и Кремль. 1940-1953. Москва, 2008.

5 <https://ru.delfi.lt/news/live/istorik-utverzheniya-ob-investicijah-sssr-v-litve-i-vsej-baltii-lozh.d?id=74889170>

6 Министерство государственной безопасности СССР

7 Министерство внутренних дел СССР