

Report from Bonn by Rainer Apel

Eurasia's Baltic gate to the world

The three newly independent Baltic states are well positioned for a future role in transportation.

At the June 19 meeting of the Conference on Security and Cooperation in Europe, held in Berlin, the foreign ministers of Lithuania, Latvia, and Estonia were still forced to attend the sessions as "guests" of the Scandinavian states. At the opening of the CSCE human rights panel in Moscow Sept. 10, the three foreign ministers were officially welcomed as the "new colleagues from the Baltic."

This marks a significant change in the political landscape of eastern Europe. With independence restored after 51 years of Soviet occupation (since the 1939 Hitler-Stalin Pact), the Baltic states can begin to rebuild their economies in their own interests.

Understandably, there is resentment against continued trade links with the former Soviet republics, but that does not mean that they will necessarily break existing trade ties with those countries. The Baltic states are rediscovering their past as the gateway for commerce between Europe—most notably the once-powerful merchant alliance of the "German Hanse"—and the Russian heartland.

If done in the right way, reinvigoration of "Hanse" policy would open up a new role as economic mediators between Europe and Russia. For Germany, which will have an increased role as the number-one supplier for Russia and the other former Soviet republics, access to the coastal transport infrastructure of the Baltic states is crucial.

The German port city of Bremen, which still carries the old title of

"Hansestadt," began two years ago to restore relations with Riga, the capital of Latvia. The port of Lübeck, once a powerful "Hanse" base, officially opened a "Hanse Bureau" in Riga in late August. Rostock, a third German port, is planning to reaffirm sister-city relations with Riga, which were established while the two cities were within the former Soviet bloc.

The new situation is characterized by efforts, for example, to turn the bases of the former Soviet Baltic Navy into efficient civilian ports. Janis Aboltinsh, the Latvian minister of economics who toured Germany in early September, mentioned a project to demilitarize the Soviet base of Liepaja (Libau) and turn it into an "important port" for commerce once again.

The same perspective should also apply for the Lithuanian port of Klaipeda (Memel), which presently serves as a ferry link from the German port of Mukran that is being used for the withdrawal of Soviet troops and military matériel from Germany.

If based on trade and economic cooperation between the three Baltic coastal states and the former Soviet republics, ports like Riga, Liepaja, and Klaipeda can contribute a lot to the "westernization" of the former Soviet Union. Transit fees, paid on the large volumes of goods transferred through the Baltic states, will contribute to their future hard currency earnings.

The Baltic ports are all linked to the railroad system on the Russian mainland. Investments from the West

can modernize these rail links within a short period of time.

Germany, which maintains (through the eastern parts of the country) close technological cooperation with the Soviet State Railways, may further consider investments into the Latvian production of rolling stock for Russia. Some 32% of all railcars of the Soviet State Railways are "made in Latvia."

In late 1990, the U.S.S.R. Transportation Ministry published plans for the replacement of no fewer than 100,000 obsolete freight cars in the 10-year period beginning 1991. If that plan is realized now, it offers a profitable perspective for the Latvian rail technology sector.

It is up to Latvia whether it wants to remain a producer of rolling stock. But if it does, it ensures that Latvia will be an industrial state of some weight.

For lack of "indigenous" capital, Europe, and especially Germany, should provide low-interest loans to the Baltic states. The German government already granted a DM 1.3 billion (\$720 million) loan for projects in the modernization of textile production in Latvia, agriculture in Lithuania, and the cement industry in Estonia. But the assistance must go beyond that and concentrate on the development and modernization of the Baltic transport infrastructure as well.

The reopening of the Via Baltica highway along the coastline from the Estonian capital of Tallinn to Riga, to the former Lithuanian capital of Kaunas, and to Warsaw and the rest of Europe on Sept. 6, was good news. But the highway is urgently in need of repair. Once made fit for modern road transport, the highway will provide an efficient land freight route between Europe and the Baltic states, parallel to revived large-scale civilian sea trade on the Baltic Sea.