

1989—2009: The Rise of the Lithuanian Baltic Tiger?

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1 Introduction

The Economist in its article „Baltic tiger“ (July 17th, 2003) described Lithuania’s highest growth in Europe, emphasizing achievements in economy (zero inflation, increasing exports, steady currency), but the same time noting numerous problems and comparatively low living standards. The aim the aim of the speech — to investigate and summarize the road from planned to market-oriented economy (1989—2009) and make some assumptions on Lithuania’s future challenges in the time of the Crisis.

2 Reforms

2.1 Reasons

1. The rate of inflation was very high in Lithuania because of the rise in price control;
2. the Lithuanian government’s expenditures were increasing and also it went beyond the amount of the government revenues;
3. wages decreased by 30% in 1992 compared to the previous year.

2.2 Privatization

The Lithuanian government started the economic reform through privatization. During the period 1992—1994, almost half of the medium and large size enterprises had been identified for privatization. The government introduced a law on initial privatization in 1991 which had been revised many times in 1993.

2.3 Price Restructuring

The government started to withdraw the compensation for the pensioners so that it could reduce the inflation rate. Government support for public transportation and utilities had also been stopped.

2.4 Land reform

Privatization in the rural area was the most difficult job for the government due to the fear of losing land among the people of that sector. So the government adopted land reform as a measure of the economic reform.

2.5 Fiscal Policy reform

The government begun to eliminate the subsidies by introducing several new taxes and a new system for tax collection.

2.6 Banking Sector Reform

The government started the banking sector reform as an economic reform measure.

3 EU

What changes came after 2004, when Lithuania joined the EU. Single currency issues (failure to join Eurozone in 2007).

4 Forecasts

Mentioning economists' forecast (Lithuanian and international), organizations' (IMF, Moody's, etc) combined with statistical data (inflation, unemployment, GDP, etc). Closing Ignalina nuclear power plant, etc.

5 Summarizing and inferences

What was achieved in twenty years (for example, comparison to EU15 average). Short mentioning of reforms and the situation Lithuania occurred in past time.

Link to the name: the situation in 2000—2007 was favourable, so, technically, can be named a „tiger“. However, financial crisis, closing Ignalina nuclear power plant are making a „tiger“ status very disputable, at least for the nearest future.

6 Literature

1. [http://finance.mapsofworld.com/economy-reform/lithuania/;](http://finance.mapsofworld.com/economy-reform/lithuania/)
2. [http://countrystudies.us/lithuania/15.htm/;](http://countrystudies.us/lithuania/15.htm/)
3. [http://www.nationsencyclopedia.com/Europe/Lithuania-ECONOMIC-DEVELOPMENT.html/;](http://www.nationsencyclopedia.com/Europe/Lithuania-ECONOMIC-DEVELOPMENT.html/)
4. [http://lietuva.lt/en/economic/.](http://lietuva.lt/en/economic/)