Lithuania: From Soviet Union to European Union

Walking through Vilnius, the buildings are beautiful and untouched, almost as if the city were reproduced at Disney World. Westerners are vacationing in this future European Union capital as never before. Take a drive through the countryside and see a very different Lithuania. Farms lie abandoned; Soviet era infrastructure needs repair; yet at the same time roads and houses are being built. This is a country at a crossroads. It is moving from its past as a rebellious former Soviet Republic toward membership in the EU. Yet its recent Soviet history could offer it the greatest opportunity for future economic growth.

Geographically, Lithuania lies between Poland, the capital of Donald Rumsfeld's "New Europe," and the relatively lawless Belarus (a nation thought to be a potential future home of Saddam Hussein). This position could allow Lithuania to serve as a gateway to the many investment opportunities in less stable former Republics of the Soviet Union. Western investors have, so far, hesitated to invest into this region, owing to corruption, lawlessness and fears for personal safety. There has been more U.S. corporate investment in Hungary, for example, than in Russia. This is a shame. These countries are filled with an abundance of natural resources and their populations could use the capital and expertise the West has to offer.

Lithuanians are well suited to bridge this gap. They are highly educated. They speak Russian. They have experience in dealing with official corruption yet their country is relatively uncorrupt. Their ability to navigate through these Soviet-style bureaucracies could prove invaluable to Western investors. In short, Vilnius, and by extension, Lithuania, could make itself a bridge much as New York, London, Beirut, Hong Kong have been to larger hinterlands.

After years of a Wall Street bubble, we now have a negative bubble, an investment vacuum. Billions of dollars are lying dormant earning minimal interest rates on low risk government securities as fund managers search for new strong investment vehicles. A similar situation arose in the mid-1990s after the Asian economic crisis. At that time, Wall Street attracted investors with Internet stocks, such as Netscape and AOL. Now "the parade" needs a new place to visit, a new story that can be told. Eastern Europe, with the legitimacy of the European Union and the strength of the Euro, could well be an attractive place for investors.

Lithuania has already attracted private foreign investors due to its relatively corruption free environment, stable transparent democracy, and planned membership in the EU. To attract further investment, this country should differentiate itself from the other Baltic States and play on its geographical advantage, aggressively building public infrastructure, as China, for example, is doing today. My priorities for infrastructure investment would be, first, the construction of a new Vilnius airport capable of being a hub between East and West, as Abu Dhabi is. This would make Vilnius a preferred transfer point for travel to former Soviet Republics. The state-owned Lithuanian airline should be drafted for this effort, however, a preferable, but more difficult strategy, would be to provide economic incentives to attract an existing low-cost European carrier, such as EasyJet to make Vilnius its hub for expansion Eastward. Second, communications infrastructure is of the utmost importance. Businesspeople working in Vilnius should be able to have high-speed access to the internet and inexpensive international calling. Business hotels should be encouraged to install high-speed internet connections in all rooms (this is true of even budget hotels in Beijing today). Businesses of all sizes need to have access to inexpensive high-speed DSL circuits. This will require a strong fiber optic network with connectivity to the main Central European backbone. It is an expensive investment but well worth it, and there will be an abundance of private investors interested in participating in this effort. Third, is the building of new freight and high-speed rail links to Warsaw. The current high-speed European rail line from Berlin, which ends in Warsaw, should be extended. This is not only important to improve freight traffic between Lithuania and markets west, but is also psychologically important as it will tie Lithuania to "Western Europe" (as all of Europe is rapidly becoming).

Where possible this investment should be undertaken by public-private partnerships. Towards this end, it would be beneficial to finance a Lithuania Economic Development Corporation (EDC), modeled after the New York City and New York State EDCs. This semi-private organization could help Western investors and corporations partner with local Lithuanian firms. Having local private corporations share in the profits and losses of investments in Lithuania and former Soviet Republics would provide a powerful incentive for Western investment.

Aside from the physical infrastructure, Lithuania should work to unlock its existing educational investment in its citizenry. Lithuanians are some of the best-educated people in the world: they speak many languages, are knowledgeable about domestic politics and global events. Most Lithuanians over thirty, however, speak only Russian and Lithuanian, not English. In order to tap into the power of this knowledge workforce, the government should aggressively offer English classes to all Lithuanians, whether from small villages or Vilnius. The purpose of learning English is not necessarily to speak to Americans or the British, but to communicate with other Europeans, who aside from their native language, often speak English. The government can help further through economic incentives, such as offering subsidized high-speed internet access to those who have completed the course. This will further extend the communications infrastructure and it will reinforce these educational goals by exposing graduates of the classes to English publications online. Then, this well-educated, now English-speaking workforce could then be tapped by Western companies.

These proposals are not meant to negate the importance of existing industries-on the contrary-the transportation investments outlined here will help the established garment, agriculture and tourism industries. There will be a time, however, when Lithuanian labor becomes too expensive and jobs will move further east. The garment industry of North America is a case study in such job migrations. By focusing on building Lithuania as a trading center at the crossroads between these civilizations, as low skilled manufacturing jobs disappear, newer better-paying ones will be created and Lithuania will be on track to develop as a mature Western economy.