ISSN 2029-9338 (ONLINE)
ISSN 1822-6515 (CD-ROM)

GLOBALIZATION IN WESTERN EUROPE AND THE BALTIC STATES: A HISTORICAL PERSPECTIVE

Laimona Šliburytė[1], Rūta Masteikienė[2]
[1]*Kaunas University of Technology, Lithuania, laimona.sliburyte@ktu.lt*
[2]*Kaunas University of Technology, Lithuania, ruta.osta@gmail.com*
crossref http://dx.doi.org/10.5755/j01.em.17.2.2187

Abstract

This paper is an analysis carried out on the process of globalization, its historical perspective in Western Europe and the three Baltic States – Lithuania, Latvia and Estonia after gaining their first independence in 1918. The core problem of the article, which the authors attempt to answer, is: *how* the process of globalization has been developing and influencing societies and economies in Western Europe and fragmentarily in the Baltic States in the course of history. The process of globalization in Western Europe and in the Baltic States is full of contrasts and has not been linear since the very beginning. Modern scientific literature proposes many ways of dividing and grouping globalization process into periods (stages). The most acknowledged is the division of the process into three main periods: the first period (from 1490 to 1890), the second period (from 1891-1989), and the third period (1990- until now). In contrast to Western Europe, the openness of Lithuania, Latvia and Estonia, to globalization process in the historical timeframe, is fragmented. The process of integration has been stopped several times due to foreign occupation. The consequence – The Baltics are still considered (though advanced) as transition economies.
Keywords: globalization, Western Europe, the Baltic States, transition economy
JEL Classification: P21, P25, N74, N14.

Introduction

Globalization has become one of the most popular *buzzwords* in modern literature. However, although the mass usage of the term seems to be accelerating over time, the concept until now does not have a precise and widely-agreed definition. Generalizing on an uncountable number of concepts and definitions, the term of globalization describes an increasing integration of the world's economies and societies, transcending the boundaries of separate countries, through international trade and the flow of capital, ideas and people, the transfer of culture and technology, and the creation and development of new transnational regulations. The core purpose of the article is to look deeper into the origin of the globalization process and its development in Western Europe and expression in the Baltic States from the period of their first independence. The purpose of the paper could be split into the following tasks: to present an analysis of historical course of globalization in Western Europe, to describe the division of globalization process into stages in Western Europe, to present an overview of globalization process in the Baltic States in the years 1918-1940 (during the first period of sovereignty) and discuss the rapid development of globalization process in the Baltic States since the year 1990 (the second regain of independence). The main scientific problem of the article: *how* the process of globalization has been developing and influencing societies and economies in Western Europe and fragmentarily in the Baltic States in the course of history. Conducting the analysis of historical perspective of the process of globalization and its expression on Western Europe and the Baltic States methods of comparative analysis and systematization of scientific literature were employed.

Analysis of historical course of globalization in Western Europe

Scientific literature does not provide a unified approach about the starting point of globalization process. Many authors imply that the threshold stone of globalization was laid at the appearance of money, writing and trade.

Dulupcu (2009), states that globalization has been the subject of history for centuries and cannot be regarded only as a result of the twentieth century. The largest accelerator of globalization, as in ancient times, as nowadays, is international trade. The phenomenon of trade itself had international features from the very beginning. Even trade in Neanderthal flint stones could be considered as international trade. The Marco Polo's discovered Silk Road to China, which joined the prevailing Roman and Persian empires, has led to a very rapid surge of globalization. Another important point - the so-called golden age of Islam when Muslim merchants began travelling to undiscovered before areas, and thereby started spreading and exchanging goods, information and knowledge. Later, in the sixteenth and seventeenth centuries a rapid expansion of

ISSN 2029-9338 (ONLINE)
ISSN 1822-6515 (CD-ROM)

European empires, such as Portugal and Spain and the impact of trade stimulated the development of mutual relations and integration.

The process of globalization has gained momentum during the industrial revolution, when all processes have been rapidly automated. According to Kolodko (2001) and Wells (2001) the emergence of telegraph, steam engines, railways, refrigeration and many other technological inventions of that time have largely accelerated the globalization process. The first era of economic globalization also coincided with the liberalization process and laissez-faire movement. From numerous sources of historic literature, it is obvious that during the pre-World War I period products, investment capital, and people could travel between most countries, with very little or no governmental interference. Governmental trade barriers on goods were relatively low at that time (although they were gradually increasing during the given period), investment capital was allowed to cross national borders, and travelling inside Europe did not require passports. In the year 1919 the famous British economist John Maynard Keynes, described globalization in the British Empire before the year 1914: "*What an extraordinary episode in the economic progress of man which came to an end in August, 1914. The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep: he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages. <...> The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper, and appeared to exercise almost no influence at all on the ordinary course of social and economic life, the internationalization of which was nearly complete in practice.*" The Keynes depicted level of 1914s’ globalization is very similar to the one we are experiencing today. Analysing the quote above, it is important to mention the two aspects of the pre-1914 globalization: capital and goods could travel with very little or no restrictions. In addition, flows of funds and capital between different countries were protected by the gold standard[1]. At that time people, capital and goods could move without restrictions not only in Britain. The United States, for example, lacking the workforce, accepted every immigrant to the country, except for convicts, hookers, the mentally disabled, and, after 1882, the Chinese.

After the 1914 peak of globalization, the process was retarded by two World Wars. However, after the war period, the arisen competition between the new power axis – the United States and the Soviet Union – has started accelerating the globalization process again. The conclusion of all most important trade agreements of the XX century, the foundation of the World Trade Organization has made the most significant contributions to the development and spread of globalization process in Western Europe.

Stages of globalization process in Western Europe

Modern scientific literature offers a great variety of scientists’ opinions and assessments of globalization stages, eras, periods and *etc*. Oftentimes the globalization process is separated into a few stages, but meticulous divisions of the time flow of globalization to stages like colonization, trade in slaves, church construction overseas, high capacity transportation inventions, industrialization, construction of highways connecting remote provinces and countries, electrical and electronic infrastructure development and *et al*, is also met on scholarly work on the subject. However, the most common and most cited division of globalization process is into three core pillars: colonialism, imperialism and globalization. The table below illustrates scholar Yaman (2001) interpretation of globalization stages.

Table 1. Stages of globalization process in Western Europe

Stages	**I stage**	**II stage**	**III stage**
Year	**about 1490**	**about 1890**	**about 1990**
Impulse	advanced navigation / shipping for the	Industrialization and raised requirements	Hegemony of Multinational corporations (MNEs) in the 1970s, communication reforms in the 1980s, disappearance of competitors to Western producers in the 1990s.

[1] The essence of the gold standard period (1870-1914) was that national currencies were tied to gold. This resulted in stability in most of the world economies and the currency values remained stable. The major drawback of the gold standard system was that economies of different countries grew at different velocities and the exchange rate did not reflect the actual economic capacity of the national economy.

Process	Profit and military occupation	Evangelists, then travellers, then companies, and finally occupation	Cultural – ideological influence on entire countries and regions
Means	To bring the religion of one God to pagans	White Man's oppression, human mission, racist theories	Highest level of civilization, governance of international community, theory of the „invisible hand of the market[2]", globalization – to the interests of each and everyone
Political structure	Empires and colonization	Nation states	Regional and economic integrations
Result	Colonialism	Imperialism	Globalization

Source: Yaman, 2001

The first stage (about 1490 years): According to Wells (2001), Osterhammel and Peterson (2005), the first stage was given an impetus by the great geographical discoveries, which were later followed by the creation of colonial empires:

In 1488 - Bartolommeo Dias discovered the Cape of Good Hope;
In 1492 - Christopher Columbus discovered America;
In 1498 - Vasco da Gama sailed around the African continent and found the sea route to India;
In 1519-1522 - Fernando Magellan sailed around the world and proved that the earth is round.

At the period of the first stage many European flotillas started sailing into unknown waters in search of new, safer and faster trade routes. International trade was growing rapidly, new trading partners and brand new, never seen before goods were discovered; an intensive exchange of everything that could be transported started developing. Hand in hand with the intensively growing international trade, came colonialism. During this period, numerous nations that were unknown before and small primitive peoples have been discovered, world maps were adjusted or redrawn, as a lot of new undiscovered lands were found.

The **second stage (about 1890):** According to Dulupcu (2009), about the year 1870 the second phase of the Western world development began, which has gained momentum around 1890. After the industrial revolution, a number of newly adopted technologies led to a huge gap between the fast-developed western countries and the rest of the world, what, in result, lead to the expansion of western states to the less technologically advanced ones. Thus western countries have experienced a double advantage: the use of occupied countries natural resources and new unsaturated markets. After entire regions were shared and their potential has been exhausted, international competition started growing fierce, which caused numerous international conflicts of that time, which later developed into the First World War.

After the First, and later Second World Wars, the leverage of the world power axes have substantially changed. Former empires and monarchies and their colonies, which formerly possessed the world power have been broken by numerous declarations of independence. Thus, changes in global economic and political balance diminished the social and cultural values and power balances. The world was divided into two power centres (poles) - The United States and the Soviet Union. After the Second World War, the United States gained substantial power against the war destroyed Europe.

The third stage (about 1990): The third stage of globalization which is lasting for only a few decades now, is subject to constant changes. After the collapse of the Soviet Union, a lot of new independent states have appeared on the world map, many international conflicts have accelerated. Before the outbreak of the third globalization stage western national markets were already well-saturated and there was a considerable necessity to expand. Because of the collapse of the Soviet Union, the West had no competitors as in the 1490's or 1890's. Many western multinational corporations, communications revolution, inventions like optical cable, satellite, computers, the internet *et al.* have largely contributed to the development of the third stage of globalization.

[2] Term used by Adam Smith to describe the natural force that guides free market capitalism through competition for scarce resources. According to Adam Smith, in a free market each participant will try to maximize self-interest, and the interaction of market participants, leading to exchange of goods and services, enables each participant to be better of than when simply producing for himself/herself. He further said that in a free market, no regulation of any type would be needed to ensure that the mutually beneficial exchange of goods and services took place, since this "invisible hand" would guide market participants to trade in the most mutually beneficial manner. (Source: http://www.investorwords.com/2633/invisible_hand.html)

ISSN 2029-9338 (ONLINE)
ISSN 1822-6515 (CD-ROM)

On the other hand, scholars Gordon (2004), Hirst and Thompson (1997) hold an opinion that the threshold stones for the third stage of globalization were laid at the Breton Woods conference[3] when a consensus was reached on General Agreement on Tariffs and Trade (GATT), which was signed in 1947 and existed until 1993, when it was replaced by the World Trade Organization. Nine rounds of trade (Geneva (1947), Annecy (1949), Torquay (1950), Geneva (1956), Dillon (1960), Kennedy (1954), Tokyo (1973), Uruguay (1986) and Doha (2001 until now)) gave foundations to the development of free trade, which, as EBRD (2010) and World Bank (2010) indicate, is the main engine of the globalization process. The results of the above mentioned trade rounds that have spurred the spread of globalization are the following:

1. Reduction or elimination import of duties, agreements on establishment of free-trade areas (with very low or zero duties);
2. Reduction of transportation costs, especially for container transportation; Development of ocean-going vessels;
3. Reduced or completely abolished capital controls;
4. Agreement on the reduction, elimination or harmonization of subsidies for local businesses;
5. Agreement on intellectual property rights (for example: patents, issued in Germany, are also valid in Great Britain or the United States)
6. Agreement on a similar policy of subsidies for agriculture;
7. Agreement on the reduction of barriers of textile imports from developing countries;

Generally speaking, globalization has been mostly accelerated by the Uruguay Round, which took place from 1986 to 1994, a result of which, the WTO has been created, the Maastricht Treaty and the North American Free Trade Agreement (NAFTA) have been signed. Furthermore, after the Uruguay round, tariffs were cut dozens of times, trade barriers were mostly eliminated, and world exports rose at unprecedented speed.

Scientific works of authors Bitzenis (2005), Ritzer (2010), Osterhammel and Peterson (2005) emphasize, that the third stage of globalization has several specific characteristics: unprecedented rise in service sector, especially services related to knowledge and information, rapid exchange of technologies, i.e. technologies become out-of-date very quickly. These traits, absent in former stages of globalization, makes it an irreversible, unstoppable process. The current phase of globalization is more important, deeper, and different form earlier stages due to new technologies, information accessibility, and rapidity of its spread, trade liberalization, and sharp drop in transportation prices of goods, people and capital. Furthermore, the third stage of globalization witnesses the end of state isolation and to some extent loss of national sovereignty.

It is noticeable, that despite sharply increased international integration and trade, after the 2008 World economic crisis, some scholars notice trends of new process – *de*globalization. Lupan (2009), Gimaldi and Meschi (2008) indicate, that the never-accomplishing Doha Round (2001 – until now) determines many countries not to integrate globally, but rather regionally. In result, the world's multinational trade level may gradually become regional again.

Overview of globalization process in the Baltic States during the first period of sovereignty

In contrast to the Western Europe, globalization was still a distant dream for the newly independent Baltic States in the 1920s. The Keynes described Britains' level of globalization of that time, was far from reality in Lithuania, Latvia and Estonia of the 1920s. The three nations have just gained independence from Russia, and faced isolation in foreign policy and partially in trade. Economic and political perspectives seemed vague and rather limited. The new independent countries tried to establish diplomatic relations with Western Europe. Lithuania managed to reach it with Germany, Estonia only with the Entente. The League of Nations seemed to be an unreachable organisation.

Despite the unfavourable situation, the Baltic States managed to adapt to the new conditions and open their economies to the process of globalization. The most advanced form of globalization at that time was economics, or more precisely – international trade. From the year 1920 Lithuania, Latvia and Estonia started

[3] Bretton Woods conference – a gathering of 730 delegates form 44 countries, which took place in July 1-22nd, 1944 in the town of Bretton Woods (USA). The core aim of the gathering was the restoration of the world's financial and monetary order after the end of the II World War. The principal results of the conference: it was agreed on establishment of GATT (General Agreement on Tariffs and Trade), IMF (International Monetary Fund), IBRD (International Bank for Reconstruction and Development). Also the Bretton Woods system (set of rules for financial and commercial relations between dominant industrial countries and the binding of national currencies to the US Dollar) has been created which lasted until 1971.

 ISSN 2029-9338 (ONLINE)
ISSN 1822-6515 (CD-ROM)

exporting the surplus of agricultural goods (mostly grain and linen, later - pork) to Western Europe, 90 percent of which went to Germany[4] and Great Britain. The money earned, was a clue to adopting new foreign agricultural technologies, and thus local growers and to some extent producers rapidly modernized. Another spread of globalization came with imported goods from the West. As Cesevicius (1995) indicates, the Baltic States in the period of 1920-1924 mostly imported fertilizers, salt, agricultural machinery, sugar, crockery, spices, tea and others.

It is noticeable, that the demand and expanding international trade had a tremendous positive effect on logistics infrastructure of that time. During the period of 1920-1930 governments of the Baltic States paid special attention to repairing of existing regional roads, construction of new connecting highways, railways, bridges. The improved infrastructure immediately cut transportation prices and international trade, post and communication have accelerated respectively.

As for industrial globalization, the Baltic States had poor possibilities of developing its industries, as they had no coal, steal, kerosene and other industrial accelerators. As Cesevicius (1995) notices this has made the three economies highly dependent on foreign countries.

With years the level of the Baltic States' economic development, and hand in hand globalization process were only ascending. The extent of international trade and globalization level in the Baltic States of the 1929 is perfectly illustrated in Budzys (1929) writings[5]: „*It is a bright summer Sunday morning and a countryside Lithuanian girl is attending church. She is wearing a new fashion skirt, which has been sown in town from „Lodz" wool, her overcoat is made from German wool and Italian silk, woven in a French manufactory. Her shawl is woven in an English manufactory from Lithuanian linen. Her blond hair is decorated with a Belgian comb made from Indian rubber and coloured African stones and is tightened by blue ribbons from Japanese silk. Australian silver earrings are sparkling in her ears and a Mexican gold ring is on her left hand finger. Her neck is decoraed with a necklace with a golden American watch, made by famous Swiss jewellers. A white Austrian handkerchief is sticking out of her pocket. The girl is carrying a blanket, made from Irish Laplata sheep wool. She hits the sandy road with Turkish leather shoes put on German silk stockings."* Although the quote depicts the outfit of a daughter of a well to do Lithuanian farmer or landowner of the 1920s, the variety of origins of apparel is impressive. In comparison with a young girls' clothing of 2010s, we could unmistakably state that practically 80 percent of it has been made in China.

Even though the levels of economic development and globalization were promising, the Baltic States possibilities of political globalization were vague. However, the governments of the three countries have made attempts to at least regionalize. The Baltic Nations felt to be small and vulnerable. As Hovi (2000) explains, „<…> there were no traditions of independence in the region, and the former landlord country, Russia, even if momentarily weak, had not voluntarily abandoned the Baltic States and was expected to grow mighty again. Germany was another threat because of her closeness and traditional interests in the area." In the given situation the Baltic States were striving for an alliance in the region. Historical documents reveal, that discussions for a closer cooperation opened between the most endangered countries, Latvia and Lithuania. The two countries proposed Estonia and Finland to join the common defence scheme. In autumn 1919 the countries' delegates met six times to discuss the common defence and peace issues in the Baltic region. Later on, the negotiations were continued in three international conferences: (in Helsinki, January of 1920, in Riga, August-September of 1920 and in Warsaw, March of 1922). Despite the good will and expectations the meetings and negotiations have not brought any substantial results. The Baltic States had different ethnic and cultural roots, and there were a lot of frontier[6] and other disputes. Finally, in 1934 Estonia, Latvia and Lithuania have attempted to foster their regional cooperation with a new alliance treaty, so called the Baltic Entente. Several meetings of the Baltic States foreign ministers were held, but in the years of the crisis (1938-1939) it came to a complete failure build a joint front of the Baltic States.

In August 1939 globalization process in all three Baltic States was terminated for an unspecified period of time as the Molotov–Ribbentrop Pact (official title: Treaty of Non-Aggression between Germany and the Soviet Union) was signed, which meant that the Soviet Union and Nazi Germany each settled to

[4] Many historians indicate that the germans had an economic monopoly in Lithuania, Latvia and Estonia of the 1920s. The Baltic States had a great demand on industrial goods, and Germany had a most diverse supply, lacking only food and food matarials, the Baltic States of which had a substantial surplus. The given conditions and high rates of unemployment in Germany, made a lot of german goods and specialists come to the Baltic States and spread foreign culture.

[5] Word for word translation from Lithuanian language of the 1920s.

[6] Latvia disputed its frontiers with Estonia, and later with Lithuania.

ISSN 2029-9338 (ONLINE)
ISSN 1822-6515 (CD-ROM)

remain neutral in case the other one to be attacked by a third party[7]. In addition to the treaty a secret protocol dividing Romania, Poland, Lithuania, and Latvia, Estonia and Finland into German and Soviet Union spheres of influence was signed. This event was followed by a rapid Soviet Union annexation of Estonia, Latvia, and Lithuania. In the period of 1940-1990 the Baltic States were fully *de*globalized, lived in complete isolation from the rest of the world, the economy, technologies *et al.* were centrally planned and ties with the outside world were cut and prohibited.

Rapid development of globalization process in the Baltic States since the regain of independence in 1990

A new dawn of globalization broke when the Soviet Union collapsed and the Baltic States have regained their independence in 1990. Lithuania, Latvia and Estonia have rejoined the international community as sovereign countries. The transition process from a centrally planned economy to free market principles, shift to democratic rule has started spurring the globalization process in the area. However, the transition process was far from smooth and consistent and took much longer than most experts could have predicted. In 1991 the economists at the International Monetary Fund summarized that the action plan of transition to market economies was to be achieved through efforts in the following areas (International Monetary Fund, 2010):

1. Liberalization–the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies.
2. Macroeconomic stabilization–bringing inflation under control and lowering it over time, after the initial burst of high inflation that follows from liberalization and the release of pent-up demand. This process requires discipline over the government budget and the growth of money and credit (that is, discipline in fiscal and monetary policy) and progress toward sustainable balance of payments.
3. Restructuring and privatization–the creation of a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and of transferring their ownership into private hands.
4. Legal and institutional reforms–redefining the role of the state in these economies, establish the rule of law, and introduce appropriate competition policies.

With many hardships, obstacles and mistakes the Baltic States have completed the action plan, joined the European Union and North Atlantic Treaty organization (NATO) and fully opened their economies to the process of globalization. As a result, over the past two decades, numerous foreign investors started investing funds, establishing and running business operations in the Baltic States (Niedvaras, 2008). At this period of time, as financial openness has flourished across the entire world, and global flows of foreign direct investment have more than doubled in the Baltic States. At the same time, the levels in international trade have been gradually increasing, with the exceptions of 1998 and 2009 crisis years. As scholars Bernatonyte, Normantiene (2009), Melnikas (2008a), Melnikas (2008b), Kilijoniene et al. (2010) notice, in the long run, Lithuania, Latvia and Estonia gain more benefits from the process of globalization than losses, as opening their economic systems to the process results in heavily increased exports and levels of international trade, which in turn augments general economic growth. Globalization, indeed, brought influx of FDI to the Baltic States, but, on the other hand, intensified competition as local markets were entered by more experienced foreign rivals and boosted levels of migration (Cekanavicius and Kasnauskiene, 2009).

According to Dreher (2006), in the past twenty years, since the regain of the independence, the globalization indexes of the Baltic States were constantly ascending. One of the most cited globalization index in modern economic literature is the KOF Index of Globalization, which is concluded of three core dimensions:

1. *Economic globalization*, characterized as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges;
2. *Political globalization*, characterized by a diffusion of government policies;
3. *Social globalization*, expressed as the spread of ideas, information, images and people.

[7] The Molotov–Ribbentrop Pact lasted for less than two years: in June 22, 1941, Germany broke the Pact and invaded the Soviet Union.

In the above described index in the year 2011 Lithuania, Latvia and Estonia were ranked respectively 36-th, 41-st and 24-th. It is noticeable, that the three „Baltic sisters"share the same characteristics: high levels of economic globalization and lagging behind in terms of political globalization, which is substantially worsening the overall position.

Table 2. 2011 KOF Index of Globalization of the Baltic States

The Baltic State	2011 KOF Index of Globalization and World ranking	2011 KOF Index of Globalization and World ranking (economic globalization)	2011 KOF Index of Globalization and World ranking (social globalization)	2011 KOF Index of Globalization and World ranking (political globalization)
Lithuania	73,64 (36)	77,39 (34)	67,10 (45)	77,97 (66)
Latvia	70,32 (41)	79,29 (29)	69,64 (38)	56,62 (124)
Estonia	80,22 (24)	89,2 (8)	75,16 (29)	74,98 (78)

Source: KOF Index of Globalization 2011. (http://globalization.kof.ethz.ch/static/pdf/rankings_2011.pdf)

Poor results in political globalization partially explain why the Baltic States in some sources of literature are still considered as transition economies or having traits of transition. According to the EBRD (2010), Bitzenis (2005) some of the most crucial problems in such countries are shadow economy and high levels for corruption as Soviet mindset is still alive in many politicians, especially that of the older generation. As indicated in Table 2, the level of social globalization in the Baltic States is lagging behind the economic globalization as well. Although there are numerous social movements, associations, facilities of exchanging people, ideas and culture, levels of social globalization are not climbing as steeply as the economic globalization, what could be possibly explained by a relatively short period of statehood, specific mindset and historical background.

Conclusions

Concluding on the conducted analysis of globalization process and its expression in Western Europe and the Baltic States the authors of this paper came to the following conclusions:

Despite the ever increasing scholarly work on globalization problematic there is neither clear definition of the concept, nor consensus upon its origin, historical stages or scale and scope of expression. One of the most acknowledged periodization so far is the division of the process into the first period (from 1490 to 1890), the second period (from 1891-1989) and the third period (1990- until now).

The analysis of scientific literature revealed, that the intensity of globalization in the long run has been varying. The speed and spread of globalization tends to accelerate with every decade. One of the most important stimuli of accelerating the process of globalization was the Bretton Woods conference (1944) and the following nine trade rounds, which have laid the foundations of free trade development. Powerful Western multinational corporations (sometimes exceeding the powers of national states), revolution of communications, inventions like optical cable, satellite, computers, the internet and others have also by no means largely contributed to the proceeding of globalization process.

An analysis of economic and historic literature, has revealed, that mostly unfavourable historic background and partially geographic location (always appearing in crossroads of foreign ambitions) led the Baltic States' relation to the process of globalization be fragmented, volatile and lag behind the successfully globalizing Western Europe. The openness to the process has been stopped several times due to foreign occupations. Despite economic, political hardships and pressures, in the first period of independence Lithuania, Latvia and Estonia have demonstrated remarkable results of international trade and logistics infrastructure development. However, globalizing politically was a much more sophisticated task, in which all efforts Baltic States' efforts to integrate between them and with other foreign states, came to a complete failure.

Finally, after the regain of their independence in 1990, the Baltic Sisters jumped into the globalization train again. Accomplishing liberalization, macroeconomic stabilization, restructuring and privatization, crucial legal and institutional reforms has been not an easy task, but in the last two decades the Baltic States have managed this and have achieved even more. Despite the fact that the Baltic States (in some sources of literature) are still considered (though advanced) as transition economies, they all occupy relatively high rankings in world globalization indexes.

 ISSN 2029-9338 (ONLINE)
ISSN 1822-6515 (CD-ROM)

References

1. Bernatonyte, D., & Normantiene, A. (2009). Estimation of Trade Specialization: the Case of the Baltic States. *Inzinerine Ekonomika-Engineering Economics* (2), pp. 7-17.
2. Bitzenis, A., & Marangos, J. (2007). Globalization and the Integration Assisted Transition in Central and Eastern European Economies. *Journal of Economic Issues.* Vol. XLI, No. 2, pp.427-434.
3. Budrys, Dz. (1929). Politinės ekonomijos vadovėlis, Kaunas: Sviesa.
4. Cekanavicius, L., & Kasnauskiene, G. (2009). Too High or Just Right? Cost-Benefit Approach to Emigration Question. *Inzinerine Ekonomika-Engineering Economics* (1), 28-36.
5. Cesevicius, D. (1995). Lietuvos ekonominė politika, 1918-1940: monography. Vilnius: Academia.
6. Defining globalization. (2008). Retrieved March 02, 2012, from http://www.globalpolicy.org/globaliz/define/index.htm.
7. Dreher, Axel (2006): Does Globalization Affect Growth? Evidence from a new Index of Globalization, *Applied Economics 38*, 10: 1091-1110.
8. Dulupcu, M.A. (2009). Globalization and Internationalization. Retrieved March 03, 2012, from http://www.phil.muni.cz/ped/ECOLAB/eng/modules/docs/internationalization-and-globalization-theory.doc.
9. European Bank for Reconstruction and Development. (2010). Retrieved February 29, 2012, from EBRD: http://www.ebrd.com/russian/pages/research/analysis/impact.shtml.
10. Gimaldi, M., & Meschi, E. (2008). *Centre for the Study of Globalization and Regionalization.* Retrieved March 03, 2012, from http://www2.warwick.ac.uk/fac/soc/csgr/research/abstracts/24308/.
11. The World Bank. (2001). Globalization. Retrieved February 15, 2012, from http://www1.worldbank.org/economicpolicy/globalization/index.html.
12. Gordon, P. (2004). Europe’s Cautious Globalization. *Working Paper* , 1-25.
13. Hirst, P. & Thompson, G. (1997). *Globalization in Question: The international Economy and the Possibilities of Governance*. Cambridge: Polity Press.
14. Hovi, K. (2000). Globalization and Regionalization in the Baltic States and Finland in the 1920’s and 1930’s. *Globalisation, Regionalisation and The History of International Relations* (1), 37-28.
15. International Monetary Fund. (2010). Transition Economies: An IMF Perspective on Progress and Prospects. Retrieved February 29, 2012, from http://www.imf.org/external/np/exr/ib/2000/110300.htm#I.
16. Kilijoniene, A., Simanaviciene, Z., & Simanavicius, A. (2010). The Evaluation of Social and Economic Development of the Region. *Inzinerine Ekonomika-Engineering Economics, 21*(1), 68-79.
17. KOF Index of Globalization. (2011). Retrieved February 20, 2012, from http://globalization.kof.ethz.ch/static/pdf/rankings_2011.pdf.
18. Kolodko, G.W. (2001). Globalization and Transformation, Illusions and Reality. *Journal of Emerging Markets Finance*, Vol. 5, pp. 207-252.
19. Kozluk, T. (2006). *Transition economies.* Retrieved March 05, 2012, from http://transitioneconomies.blogspot.com/2006/09/fighting-corruption-in-transition.html
20. Lupan, M. & G. Prelipcean. (2009). Contemporary Globalization – Confrontation of Ideas. *Ivey Business Journal,* Vol. 73, pp. 43-48.
21. Melnikas, B. (2008a). Integration Processes in the Baltic Region: the New Form of Regional Transformations in the European Union. *Inzinerine Ekonomika-Engineering Economics*(5), 54-64.
22. Melnikas, B. (2008b). Integral Spaces in the European Union: Possible Trends of the Social, Economic and Technological Integration in the Baltic Region. *Journal of Business Economics and Management* (1/9), 65-77.
23. Niedvaras, J. (2008). On the Phenomenon of Globalisation. *Transformations in Business & Economics, 7*(3), 18-18.
24. Osterhammel J. & Petersson N. P. (2005) Globalization: a short history. Upper Saddle River: Prentice Hall.
25. Ritzer, G. (2010). *Globalization: a Basic Text*. Willey-Blackwell, London.
26. Transition Report 2010: Recovery and Reform. (2010). Retrieved March 03, 2012, from http://www.ebrd.com/downloads/research/transition/tr10.pdf.
27. Wells, G.D. The Issue of Globalization – An Overview. (2001). Congressional Research Service (CRS) Reports and Issue Briefs. Retrieved March 29, 2012, from http://digitalcommons.ilr.cornell.edu/crs/6.
28. Yaman (2001) Historical Development of Globalization. Retrieved March 03, 2012, from http://w3.gazi.edu.tr/web/syaman/kuresellesme2.htm.