## The Baltic market – similarities and differences among the Baltic States

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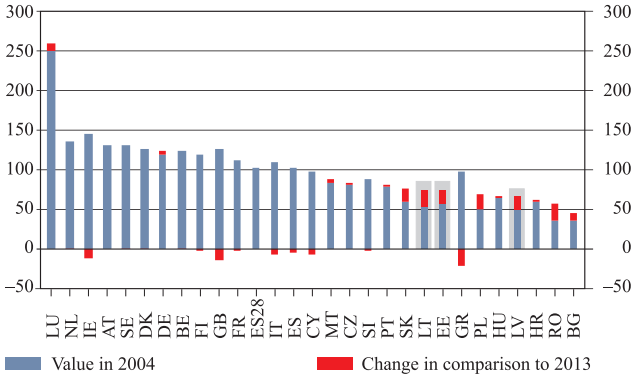
The Baltic States are brought together not only by a similar history and common currency but also by cooperation in many spheres, including NATO, implementation of the Rail Baltica and energy interconnectivity projects as well as activities in many other areas. Moreover, the Baltic States are closely related in terms of FDI flows and foreign trade. The transfer of experience and information also strengthens cooperation amongst the nations and institutions. An example of this is the process of introducing the euro (Estonia – Latvia – Lithuania): Lithuania's experience comes in very handy for Latvia at the time of its EU Presidency.

The Baltic countries achieved one of the strongest GDP per capita growth in purchasing power standards as a percentage of the EU28 average since 2004. Therefore, the Baltic countries are now much closer to the EU28 average than in 2004. Possibly, one of the reasons for this rapid growth could be that relatively poorer countries converge to higher living standards faster than relatively richer countries. However, this indicator illustrates well a state's level of well-being, and its growth suggests an improvement in the economic situation (see Figure below).

***Figure.*** **GDP per capita in PPS in 2013 (EU28=100)**




Source: Eurostat.

All three Baltic States are interested in working together as a region, and all of them are taking an active part in creating the future of the euro area. The introduction of the euro has significantly contributed to the economic integration of Estonia, Latvia and Lithuania. The use of different currencies in these countries has apparently been an obstacle, and with the introduction of the euro in Lithuania the Baltic States have irreversibly become a single economic region in the eyes of investors. Moreover, the Baltic countries will further strengthen their role and influence in Europe's decision making about economic questions. Since 1 January 2015, four Baltic States' representatives – the governors of the national central banks and EC's Commissioner Valdis Dombrovskis – sit at the ECB Governing Council's table.

With regard to differences among the Baltic States, each country has significant achievements which it can be proud of. For example, Estonia can be proud that it has always pursued a far-sighted fiscal policy, with the government having established a stabilisation fund already in 1997 to serve as a tool for accumulating funds for hard times. Lithuania can be proud of building the first liquefied natural gas terminal in the Baltics that will not only decrease energy dependence on Russia but also help ensure a large part of the Baltic energy needs. At the same time, Latvia can be proud of having managed to carry out a quick and effective fiscal consolidation in order to repay the loan to the International Monetary Fund on time, thus facilitating the return of Latvia's economy to a sustainable growth path.

Undeniably, the changeover to the euro has not ruled out a healthy competition among the three nations. Fiscal policy of each of them, an effective and favourable business environment as well as close international trade ties with other countries will be important factors driving sustainable growth and healthy competition in the Baltic States in the future.