

Lithuanians Ditch Government in Austerity Thumbs-Down

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Lithuania's opposition prepared to take power Monday after voters rejected a government that won widespread praise abroad for steering its citizens through the financial crisis with heavy budget cuts.

The country of about 3 million people crashed hard when the crisis hit four years ago.

It slashed spending in response and, after a brutal recession, is now returning to economic health, but too late for voters, who have seen their spending power eroded and unemployment soar.

The center-left coalition now likely to take over promised during campaigning for Sunday's parliamentary election that it would ease the pain by raising the minimum wage, shifting the tax burden toward the better off and postponing adoption of the euro.

One coalition leader said the budget deficit might, at a later date, be allowed to go above the level that eurozone policy makers view as prudent.

With most votes counted early Monday, it was clear that the government of Prime Minister Andrius Kubilius had lost. His administration had won praise from big European powers and the International Monetary Fund for its thrift.

"If the IMF had been voting, then he would have been re-elected," said Kestutis Girnius, who teaches at the Institute for International Relations and Political Science in Vilnius. "But the IMF does not live in Lithuania, and they could not live on a Lithuanian salary."

As one of the EU states hit hardest by the crisis, Lithuania was also an early convert to the austerity measures that have become the standard policy response to the debt turmoil that has spread across the region.

The government cut pensions and public-sector wages. To save money, only every third street lamp in Vilnius was lit, and fuel for police cars was rationed.

This discipline helped the economy rebound. Gross domestic product grew 5.8 percent last year, one of the fastest rates of any EU economy. The budget deficit has been tamed. Yet most Lithuanians feel worse off than they did four years ago.

"What kind of crisis management are we talking about?" asked Alfonsus Spudys, 78, after he voted on Sunday in the capital, Vilnius. "They scythed people down ... and now they are saying they handled the crisis really well."

With votes counted from about three-quarters of Lithuania's districts, the opposition Labor Party had 21 percent, followed by its likely coalition partner, the Social Democrats, with 19 percent.

The prime minister's Homeland Union had 13 percent.

The final outcome will not be clear until a second round in two weeks to settle local races where there was no outright winner, though that is unlikely to change the overall picture.

Algirdas Butkevicius, the former finance minister, who leads the Social Democrats and is in the running to be new prime minister, reassured markets that any softening of austerity would be cautious and gradual.

"Our position is not to be spending lavishly with borrowed money," he said at a news conference Monday. "First you have to earn money to get higher revenues for budgets."

Labor Party leader Viktor Uspaskich, a Russian-born businessman, said that for now the coalition would stick to a deficit less than 3 percent of gross domestic product, but he added that this could be exceeded later.

Lithuania needs to maintain markets' confidence, not least because in March it has to repay a 1 billion euro eurobond.

In a nonbinding referendum held alongside Sunday's election, about 60 percent of voters rejected a plan to build a 6.8 billion euro nuclear power station, incomplete results showed. U.S.-Japanese joint venture Hitachi-GE Nuclear Energy was lined up to build the plant.

Support for the plant in Lithuania, one of the European Union states most dependent on imported energy, waned after the Fukushima nuclear disaster in Japan last year.

With results counted from about three-quarters of Lithuania's districts after Sunday's referendum, 63 percent voted no, while 34 percent were in favor.

Turnout was about 52 percent, just over the threshold to make the referendum valid.

Lithuania's leaders are not obliged to scrap the power plant. The country's Baltic neighbors, Latvia and Estonia, were also involved in the planning.

Leaders of the two parties that did best in the election said the project could not go ahead in the form it is in now, but they did not rule out building a nuclear plant.

"We are not anti-nuclear power. We are against this project, which was given to parliament for discussion very late before the election," Butkevicius said. "We are rational people. We will talk. We will not make any hurried decisions."

Uspaskich said the nuclear plant could be put to a vote again once there was a clearer picture on how it will be financed.

"As new circumstances appear, you can ask the opinion of the people once again," he said. "When there is a ready project, when most questions are answered, after two years it's possible to ask people once again."

The government that was voted out in Sunday's election had proposed building the new plant on the site of the Soviet-built Ignalina plant in eastern Lithuania, which was closed in 2009. The former ruling coalition had argued that the plant would help the country end its dependence on Russian energy.

Lithuania's finance ministry projects the total cost of building the plant at 6.8 billion euros. It says 4 billion euros would come from loans, and the rest would be put up by the contractor and energy firms in the Baltic states.

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