

Lithuania: Ruling Homeland Union suffers election collapse

Steve James

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Ten years after Lithuania unilaterally declared its independence, the ruling conservative Homeland Union has suffered a huge defeat in last Sunday's elections. Having won close to 40 percent of the vote in 1996, and 70 seats, Prime Minister Andrius Kubilius's Homeland Union won a mere 8 percent and 8 seats in the 141-seat *Seimas* [parliament].

With no overall winner, the leading parties were the Social Democrats, led by ex-Stalinist Algirdas Brazauskas, who increased their representation from 12 to 51 seats, with 31 percent of the vote; the New Union gained 19 percent and 27 seats; and the Liberal Union took 36 seats. Neither the New Union, led by Arturas Paulauskas, nor former Prime Minister Rolandas Paksas's Liberal Union existed when the last elections were held. Talks on a coalition administration are ongoing and it is likely that the Liberal Union and New Union will form a minority government, backed up with support from smaller parties.

The instability shown in the electoral result reflects the deep uncertainties in the 3.7 million population of the small Baltic republic. Following independence, the liquidation of the Soviet Union, the reintroduction of the capitalist market and a mass privatisation programme the Lithuanian economy went through a drastic collapse. In 1993, inflation reached over 400 percent, wages fell by 39 percent and GDP fell by 16 percent. By 1996 the situation was somewhat more stable, with inflation down to “only” 24 percent—far above the small increases recorded in wages (4.1 percent) and GDP (4.7 percent). Unemployment was on the rise, with a figure of around 7 percent. The 1996 electoral success for the Homeland Union reflected deep hostility to the then Democratic Labour party, which suffered an even greater eclipse than that recently suffered by the Homeland Union.

Following the Russian economic crisis of 1998 the economy dived again. In 1999, trade fell 19 percent and GDP fell 4.1 percent. Electricity consumption fell 5 percent and the Lithuanian state failed to recoup 12.7 percent of its expected tax revenues. Unemployment rose to 11.5 percent. In power, the Homeland Union kept up the privatisation programme of its predecessors. Between 1991 and 1998 the proportion of the workforce employed by privatised enterprises rose from 22 percent to 68 percent. Since 1996, Lithuanian Fuels, Lithuanian Airlines, the ports, Lithuanian Telecom and the Lithuanian Insurance Company have all transferred majority shareholding to private ownership.

Most dramatic was the transfer of 33 percent of shares in the state oil refinery Mazeikiu Nafta to US-owned Williams International. Opposition to the terms being imposed by Williams, though not the deal itself, provoked the resignation of a series of government ministers. Williams demanded huge state subsidies that would impact on the already cash-starved state finances. To a certain amount of popular acclaim, Prime Minister Rolandas Paksas was one of those who resigned. Following the Williams deal, the Russian oil giant LUKOil has intermittently cut off oil supplies to Mazeikiu Nafta—this in turn deepening the country's economic slump.

The dire social impact of reorganising the industrial economy in line with market needs has been mirrored in the countryside, where 20 percent of Lithuanians still live, (although it produces only 8 percent of GDP). The break-up of the Soviet-era collective farms has resulted in a small number of farmers doing rather well, while the majority are struggling to survive. Last year, the Homeland Union cut agricultural subsidies, triggering large-scale tractor protests by farmers and growing

support to the Farmers Party, which advocates lower taxes on farming expenditure and cuts in food taxes. The Farmers Party has also organised as many as 50,000 farmers to sue the government for unpaid debts. In January this year, fuel, VAT (sales tax), social insurance, and telephone charges all were increased.

But for all the dramatic swings between the various parties, there are only marginal political differences between them. All insist that privatisation must continue. All advocate continuing Lithuania's drive to join both NATO and, in particular, the European Union (EU), which Lithuania hopes to join by 2005. Accession talks opened with the EU early this year and the country's entire economic and political strategy has been effectively subordinated to satisfying the membership criteria demanded by the EU. This means a further opening up of the economy to venture capital, and additional cuts in state subsidies. The currency, the lita, must be pegged to the euro by 2001 and the tax system must be reorganised in line with EU norms. Government debt must be cut and price controls on staples and energy must be removed. The new government will also be charged with pushing through infrastructure projects designed to integrate Lithuania into the European energy and transport networks.

To the extent that there are political differences between the parties, these centre on some promises to increase one or another aspect of social spending, to moderate the social impact of these policies. The Social Democrats called for tax breaks, and support for those suffering from the consequences of privatisation. The New Union and the Social Liberals called for military spending to be redirected to education. The Farmers Party favours a delay in joining the EU.

The Social Democrats also claim to favour the state retaining a greater shareholding in privatised enterprises, although commentators do not give these statements much credence. More concretely, the Social Democrats want to improve relations with Russia, much soured after the disputes over the Mazeikiu Nafta refinery. A scandal blew up during the campaign, when it emerged that the Vaizga oil company, owned by the wife of the LUKOil Baltija chairman, had donated \$62,500 to the Social Democrats.

The lack of an international socialist perspective around which to unify all those losing out in the new Lithuania is creating conditions where the huge social

tensions can take a particularly noxious form. In April, Vytautas Šustauskas of the Freedom Union was elected mayor of Kaunas, Lithuania's second largest city. Šustauskas is a rabid anti-Semite, and Star of David flags have been burned at his rallies. Šustauskas uses the social crisis—he has organised “feasts of the destitute” and “marches of the homeless”—to promote his extreme Lithuanian nationalist politics. Echoing patterns across both East and West Europe where mainstream parties have embraced the far right, Šustauskas came to power with the support of the New Union city councillors. Subsequent reports indicate that the New Union agreed not to stand against him in the general election.



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