

ELECTION BRIEFING NO 47 EUROPE AND ELECTION OF THE PARLIAMENT OF THE REPUBLIC OF LITHUANIA, OCTOBER 2008

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Key points:

- After eight years out of office, the conservative Homeland Union returned to government ousting the ruling Social Democrats, who had been in power as a minority cabinet since 2006.
- Populist parties either remained in opposition, as in the case of the Rolandas Paksas' Order and Justice party, or left government, as in the case of to Viktor Uspaskikh' s Labour party.
- Three government ministers suspected of mis-using public money, including EU funds, lost in their electoral districts.
- Apart from domestic issues, the problem of energy independence and need for a single European energy policy was also evident in the campaign. It was located within the broader context of debates on the Russian threat and the efficiency of European security policy.
- Legal restrictions on TV political campaigning appear to have been an important factor contributing to a dull election campaign.
- The same factor also appears to be important in explaining why only one new party appeared in Lithuanian politics before the election, although it actually had a very good result.
- This new party, Rising Nation, led by celebrity businessman Arunas Valinskas, secured the balance of power and was crucial to the process of forming a new government. Together with Conservatives-Christian Democrats and two liberal parties, it was to form ruling coalition with 80 members of parliament out of 141. This coalition appeared to be strong enough to make unpopular macro-economic decisions such as balancing the state budget through increasing VAT and excise taxes as recommended by the EU.
- A consultative referendum on whether to prolong the life of the unsafe Ignalina nuclear power station (in clear violation of the EU accession treaty) was organized without any clear political rationale and lost due to insufficiently high turnout.

Domestic context

Even though it managed to avoid an early dissolution, the 2004-2008 term of office of the Seimas of the Republic of Lithuania was quite a paradoxical one. In theory, a large number of possible coalition combinations existed (eight parties were elected in 2004). In practice, the possibilities of coalition formation were very limited, and early elections were threatened a number of times. The

strategic prelude for the October 2004 Seimas election was the June 2004 European Parliament election.¹ The distribution of votes was almost identical in both elections with the largest number of seats being won by the newly established populist Labour party. There were suspicions about the party's ties with top Russian energy circles and a lawsuit was brought against it due to its non-transparent party finances. This litigation was not completed until the end of 2008.

However, the dominant axis throughout the 2004-2008 parliament was not the Labour party but the Lithuanian Social Democratic Party. The Social Democrats were united around their leader Algirdas Brazauskas, a former functionary of the 'reformed Lithuanian Communist Party' and President of Lithuania between 1993-1998. Mr. Brazauskas retired from politics and then returned as prime minister in 2001 and led the coalition formation negotiations after the 2004 Seimas election. Following these negotiations, he continued as prime minister until 2006 when the coalition government lost its parliamentary majority. Following a number of high profile resignations, including Mr. Brazauskas and Arturas Paulauskas as Seimas Chairman, since 2006 a minority government led by the new Social Democratic Party leader Gediminas Kirkilas - and (as well as the Social Democrats) comprising the Union of Lithuanian Peasants and People, the Liberal and Centre Union, together with Citizens Democracy and the New Union - was in office until 2008.

The period of Social Democratic minority government coincided with the Lithuania's spectacular economic growth: Lithuanian GDP was growing 8-9% each year, salaries and property prices were increasing significantly, and unemployment fell dramatically to 5-6%; although the latter was linked to the opening up of some Western labour markets to workers from post-communist states following EU accession. One of the government's most ambitious plans was for Lithuania to enter the euro zone and, according to its calculations, by the end of 2006 Lithuania had fulfilled all of the Maastricht criteria. However, the European Commission questioned whether, according to its interpretation, Lithuania had achieved continued price stability and made a political decision to postpone Lithuania's accession to the euro zone. Indeed, inflation soon increased to double figures. By the middle of 2008, in the face of the global economic crises, the government started to face a budget shortfall. As European Commissioner (and future Lithuanian President) Dalia Grybauskaitė, commented, the combination of negative economic factors evident in Lithuania appeared to be unique: not only was the country facing economic recession but it also had high inflation combined with an increasing budget deficit. In June 2008, Mrs Grybauskaite once again attacked Mr Kirkilas' government, asking why they had not tried to cut public expenditure in order to bring the budget deficit under control. Instead of reacting to this, immediately before the parliamentary elections the government attempted to manipulate the social insurance fund.

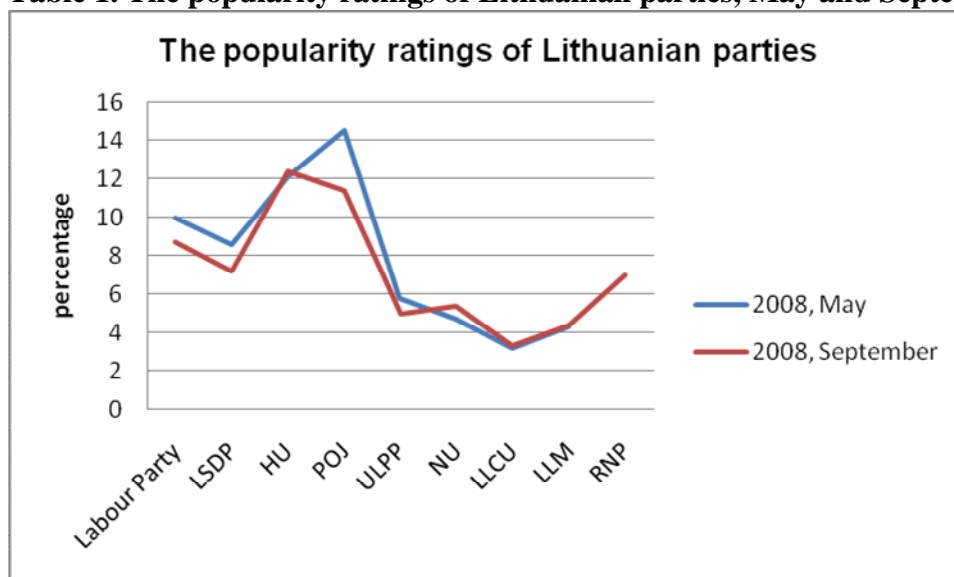
Following a number of scandals that led to splits in parties and the formation of new ones, the political landscape of the Seimas in the run up to the 2008 elections changed significantly compared with the situation in 2004. The Social Democratic parliamentary faction increased from 22 to 38 members. This was at the expense of the Labour party faction, which was reduced from 39 to 23 members. A number of Labour MPs broke away from the party and established a new party and parliamentary group called Citizens Democracy. 18 members of Liberal Centre Union also defected and 9 of them formed a separate party, the Liberal Movement. The Order and Justice faction had 11 members, although the particular personalities involved here also changed. All in all, one third of the total number of parliamentarians elected in 2004 changed their factional allegiance throughout the period of the four year parliament; one quarter did so twice, and one fifth three or more times!

¹ See: Liudas Mazylis and Ingrida Unikaite, 'The European Parliament Election in Lithuania, June 13 2004,' 'The European Parliament Election in Lithuania, June 13 2004,' *European Parties Elections and Referendums Network 2004 European Parliament Election Briefing No 12* at: <http://www.sussex.ac.uk/sei/1-4-2-2.html>.

Only the Homeland Union (Lithuanian Conservatives), the future winners of the 2008 elections, was able to maintain cohesion and discipline. Apart from achieving stability in the Seimas, the Union worked hard outside parliament to increase its level of support. Its main strategy was to unite with allied parties. Consequently, the Union merged together with the Political Prisoners and Deportees organisation. Later the same happened with the National Party - whose leader was, incidentally, practically the only leader of a ‘mainstream’ party to criticize (albeit mildly) ratification of the Lisbon Treaty. Finally, at the beginning of 2008 the Union also merged with the Lithuanian Christian Democrats – an important centre-right party, in spite of the fact that it had had no parliamentary representation since 2000 – to form a new united party: the Homeland Union-Lithuanian Christian Democrats.

As **Table 1** shows, a few months before the elections, opinion polls did not show any clear signs of the eventual radical change in the governing coalition that was to follow; nor, indeed the prospect of a strong ruling majority emerging. Although there was no dramatic shift in party support from May to September, the governing parties (Social Democrats, Labour party and Order and Justice) lost some support while the opposition ones (Homeland Union and the Lithuanian Liberal Movement) gained ground. It is important to note that the newly emerging Rising Nation party had, in the space of three months, increased its support from zero to 7%. Anyhow, the polls showed that none of the parties had the possibility to form a clear majority government without forming a coalition with others.

Table 1. The popularity ratings of Lithuanian parties, May and September 2008



Source: Authors’ calculations based on data provided by the Vilnius polling agency
 LSDP - Lithuanian Social Democratic Party, HU - Homeland Union; POJ - Order and Justice party, ULPP - Union of Lithuanian Peasants and People; NU- New Union; LLCU – Lithuanian Liberal and Centre Union; LLM – Lithuanian Liberal Movement.

In its August overview of Lithuania, the international ratings agency Standard and Poor predicted that another unstable and ideologically diverse coalition would emerge after the election.² The agency argued that ‘political parties are established, split up and united (around personalities) with unbelievable frequency’ and, while there is unity concerning EU policies and the euro, the ideological differences between political opponents are very small. However, according to the outgoing government, political divisions had hindered its efforts to lower consumption and inflation. Predicting a similarly fragile coalition after elections, the agency said that active macro-

² See: *Lietuvos rytas*, 27 August 2008 at www.Lrytas.lt.

economic measures aimed at solving the country's economic problems were not very likely. Rather, the fiscal deficit was likely to increase even more through the back-dating of the minimal salaries. The agency also referred to the endless scandals surrounding the financing of the Labour party.

In fact, after eleven months of 2008, Lithuania was still recording a positive increase in GDP. It also escaped from Latvia's fate of having to obtain a loan from the IMF. However, it lacked of any reserves. EU funding was also criticised by Free Market Institute experts for having fostered an inflationary environment, and investments into the public sector that had un-balanced the market and created a price bubble. The Social Democratic government was also upbraided for failing to introduce reforms of the health system, social system, higher education, territorial administration, and the legal system. Lithuania has both the highest number of students in Europe but also the poorest system of financing higher education. All of these economic failings were the target of criticisms by the opposition parties. However, until the first round of the elections these critics appeared to be partial and there was no evidence that the ruling parties were heading for an unavoidable defeat.

International and European context

To the extent to which the 'right-wing' orientation in Lithuanian politics is identified with anti-Kremlin sentiments, at least two international/European factors were of importance in relation to the electoral prospects of right-wing parties in this election. Firstly, debates concerning the closure of the second reactor at Ignalina nuclear power station that stimulated doubts about the terms of Lithuania's EU accession treaty. The closure of Ignalina was among the most controversial topics discussed during Lithuania's EU accession negotiations, and in voting to endorse its accession treaty, Lithuanians made a legally binding obligation to do this. However, citing the country's problems with energy supply once the reactor closed, the outgoing government decided to engage in 'consultations' with other EU members to review this decision. At the same time, the Social Democrats and the trade unions, joined later by the Lithuanian Liberal Movement, attempted (but ultimately failed) to collect the 300,000 signatures required to call a 'consultative' referendum on whether or not to prolong the life of the reactor. However, the Liberal and Centre Union was able to collect the signatures of 48 deputies to initiate the referendum through parliament. Nonetheless, the referendum campaign was completely overshadowed by the parliamentary election and, although an overwhelming majority of those who participated voted to extend the life of the second reactor until a new nuclear station could be built, the turnout was only 48.3%, which meant that it fell short of the 50% required for the consultative referendum to have been deemed to have 'taken place'. However, whether Ignalina was shut down or not, Lithuania would still remain dependant upon Russia for its energy supplies. On this issue, the right-wing parties, who used harsher rhetoric in relation to resisting the Kremlin, were in an advantageous position.

The other important international factor was the Russian-Georgian conflict, which took place just two months before the election. Here, Lithuania's electorate had no need for any special comments when television images showed Russian tanks heading towards capital of sovereign state. Indeed, the majority of the parties actually avoided rhetoric that might provoke Russia and their election programmes were dominated by a desire to develop 'pragmatic' relations with its Eastern neighbour. For instance, the problem of a possible NATO military presence in Lithuania was avoided during the public campaign. There also was no argument between the parties as to whether it was wiser 'to not provoke' or 'to deter' Russia. At the same time, there was an almost total consensus among the main political parties on giving priority to a future EU and NATO enlargement that would include Ukraine and Georgia. All parties agreed on a strong position against Russia together with the need for a common European energy strategy as a priority. The issue of

'hard security' was only commented upon during the campaign in a quite abstract way and the perception of a possible increase in the Russian threat was not followed up by proposals to increase the size of the military budget. However, the populist Order and Justice party did accuse the Homeland Union of 'provoking war' and undermining the common EU policy towards Russia.

The campaign

Twenty one parties nominated candidates to the Seimas election in 2008, one more than in 2004, with eleven candidates standing for each seat. In total there were 16 electoral lists, one more than in 2004. Well-known cinema, theatre and TV show stars formed the brand new Rising Nation party. Sportsmen were also well represented compared to previous campaigns.

According to ironic media comments, prohibiting political TV advertising led to specific results. The intention, to stop the flow of large sums of many (typically from dubious sources) into the elections, was a good one. The actual result, however, was that political content disappeared from the TV and radio and other media outlets. Candidates were only allowed to communicate with the electorate in specially designated places. Before the start of the campaign, political advertisements and communications were allowed practically everywhere. Parties, constrained from showing TV clips, did not adapt to the situation in time. The campaign was exceptionally quiet, un-interesting, simple and dull. 'Agitation stopped when the campaign started', the media commented ironically.

During the campaign, the parties were divided into two, quite traditional blocs according to their tax policy programmes. The Homeland Union agreed with both of the liberal parties in opposing the idea of progressive taxes and proposed lowering personal income tax. The party clearly supported reviewing VAT exemptions, and introducing a real property tax when the market revived. The Social Democrats proposed higher tariffs or taxes for the higher earners, and lower ones for those on more modest incomes. They also proposed introducing a property tax for wealthier people. These classic social democratic statements appeared to analysts like derivatives not connected to either the reality of the situation in Lithuania's realities nor to the policies implemented by the Social Democrats themselves during their eight years in power. The liberal parties' programmes appeared modern and ambitious but slightly Utopian. The Union of Lithuanian Peasants and Peoples party's programme appeared quite interesting and flexible, combining the interests of different groups. The most radical programme was, as expected, prepared by the Order and Justice party and was based on a number of constitutional reforms. The Labour party's programme was more pragmatic but also contained a dose of populism. The 'programme' of newly established Rising Nation Party was more a collection of slogans. However, the Homeland Union produced the most realistic and detailed programme that was best connected with topical issues. Practically all the parties agreed, either openly or not, that the lita should continue to be tied to the euro, and no one argued in favour of devaluation.

Results

According to the Lithuanian election system, 70 Seimas members are elected by proportional representation with the seats distributed using the Hare quota system. Thus, as **Table 2** shows, even after the first round of voting, it was clear that the centre-left parties were heading for defeat. The largest number of voters supported the Homeland Union and not the governing parties. Indeed, some of the parties from governing coalition (with exception of the Social Democrats) even failed to cross the 5% threshold that would give them a possibility to participate in the sharing out of the proportionally allocated mandates. The biggest surprise for both politicians and political analysts

was success of the new Rising Nation Party, which secured the second highest percentage of votes in the multi-member constituencies.

Table 2. The result of the election to the Seimas 2008

Party	First round % (multi-member constituencies)	Total number of mandates
Homeland Union-Lithuanian Christian Democrats	19,72	45
Rising Nation Party	15,09	16
Order and Justice party	12,68	15
Lithuanian Social Democratic Party	11,72	25
Labor Party	8,99	10
Lithuanian Liberal Movement	5,73	11
Liberal and Centre Union	5,34	8
Union of Lithuanian Peasants and People	3,73	3
New Union	3,64	1
Others	13,36	
Polish Electoral Action		3
Independents		4
Total	100	141

Source: Central Electoral Commission of the Republic of Lithuania, Available at: <http://www.vrk.lt>

The rest of the Seimas was elected by the majority principle, with one mandate allocated to each of the 71 districts. When no one candidate receives an absolute majority during the first round of voting (which only usually occurs in about 10% of the constituencies), the two leading candidates compete in a second round run off. During previous elections the party that has won the largest number of seats in the first round of voting typically doubled its parliamentary representation, and that is what actually happened to the Homeland Union in 2008.

Before the second round of voting, Mrs Grybauskaitė once again criticized the outgoing minority government. In particular, she argued that they had ‘less than zero’ preparedness to react to the economic crisis and accused them of using evasive tactics to hide information from the public about the extent of the public spending crisis. Although she came under fire for criticising the government that had delegated her to the Commission, most analysts felt that her contribution to the debate was a useful one.

Some initiatives taken by outgoing Seimas members were felt to be particularly suspicious. For instance, 26 deputies voted in favour (with the majority of the remainder abstaining) of various macro-economic measures including switching from the litas to the euro. Although the authors of these resolutions said they did not proposed this directly, the very fact that they were being floated de-stabilising the financial situation. Similarly, a group of 31 members drafted an appeal to the Constitutional Court asking whether the presence of NATO officers on Lithuanian territory was in compliance with the country’s Constitution.

The High Commission of Official Ethics investigated three ministers of the outgoing cabinet due to the fact that they paid, out of public money, for newspaper articles to be published praising their activities. In September 2008, the minister of agriculture, Kazimiera Prunskienė, even faced a lawsuit over this; although she won the case as there was insufficient evidence that the money allocated for the ministry’s public relations was spent to promote her. However, there was a danger that voters would react negatively to a situation when information about EU direct payments for agricultural production was shown alongside a personal comment from the minister, typically

followed by her photo, and including her academic title 'Prof'! Mrs Prunskienė ended up losing the election in her single-mandate district, as did the two other ministerial colleagues of her's involved in the scandal. The governing Union of Lithuanian Peasants and People (led by Mrs Prunskienė) and the New Union, the other junior coalition partner, both failed to cross the threshold for parliamentary representation in the first round. Commentators argued that, apart from the question of mis-use of public money, Mrs Prunskienė also lost out because, in recent years, EU agricultural funding was oriented towards influential but less electorally significant large producers instead of the more numerous smallholders in the provinces.

After the first round of the elections, although different possible coalitions were being calculated, the outgoing government decided to approve the 2009 budget setting the deficit at 3% of GDP. Once again, the government's main critic was Mrs Grybauskaitė who argued that its proposal was based on unrealistic assumptions about the level of government income and that its successor should prepare an amended budget.

On November 2, the Central Electoral Commission (CEC) approved final results of the 2008 Seimas election and announced who the 141 elected members were to be. At 48.54%, turnout was extremely low, although analysts pointed out that this figure should take into account that 10% of voters who had effectively emigrated (given that voting abroad was a very complicated process) and that turnout had actually increased compared with the 2007 local elections. An important factor explaining the low turnout was, however, popular distrust of political parties and the government. With the exception of the Rising Nation party, no new leaders and parties emerged, so voters did not have the possibility to choose among those who 'had not yet been in office'. There has been a tendency in Lithuanian political culture in recent elections to vote for new political actors. This mood of resignation might also have contributed to the unusually high proportion of spoilt ballots (5.59%).

Among parties representing the outgoing government, the Social Democrats solidified their position as the leading party on the centre left while the minor coalition partners – the New Union and Union of Lithuanian Peasants and Peoples party - lost much more heavily, including the defeat of their leaders in single-mandate districts. The Labour party also saw a large slump in support although their leader was able to retain his Seimas seat. The Liberal and Centre Union managed to just cross the 5% threshold.

Among the former opposition parties, the Homeland Union succeeded in uniting all the important conservative and Christian Democratic forces, although the vote won by the merged party was also larger than the sum of the votes for the two parties in 2007 local elections. The Lithuanian Liberal Movement, a new party formed from a split in the governing Liberal and Centre Union, succeeded in narrowly crossing the 5% threshold, although the combined vote for the two parties exceeded that won by the 'mother' party on its own four years earlier. Only one opposition party did not join the government, the Order and Justice party of Rolandas Paksas, the former President who was removed from office following impeachment procedures in 2004. The 'electorate of division' who had supported Mr Paksas in previous presidential election – or the 'second Lithuania', as those who lived on the peripheries of the country and felt that they were disadvantaged and that the governing parties did not care about them - did not increase during these elections. Order and Justice just kept the same number of supporters despite its aggressive campaign on the margins of violating the campaign rules when political advertising was legally forbidden. This happened following the airing of the controversial movie „The Pilot“, where, together with the 'good' and 'young' hero (modeled on Mr Paksas), other Lithuanian politicians were easily recognizable as the enemies in the film.

The only new party to emerge was formed three months before the election campaign when show businessman Arunas Valinskas brought together a number of show business stars to form the Rising Nation Party. Opinion polls predicted that this party would enter the Seimas, but nobody thought that it would win such a high proportion of the votes in multi-member constituencies. It seems that the voters, who always change their minds, are not tied to any party and who tend to vote for those promising not to behave like the old political parties, decided to support the only new party available this time. Pollsters and analysts suggested that the party was also successful in mobilising a large group of young people attracted by the TV personalities on the party's lists.

Conclusions/Future prospects

A few hours after the second round of voting, four parties signed a new coalition agreement: the Homeland Union, Rising Nation, and both of the liberal parties, the Lithuanian Liberal Movement, and Liberal and Centre Union. Thus, all the previous calculations of possible coalitions proved to be pointless. Andrius Kubilius, leader of the Homeland Union, became the prime minister and Arunas Valinskas, leader of Rising Nation Party, Chairman of the Seimas. There was also a minimal amount of time (around one month) to agree on the composition and programme of the new government in order to present a new version of the 2009 budget, which included un-popular and controversial tax reforms. They needed to act in the face of total hostility from the mass media, given that one of the elements of the new government's economic programme was abolishing VAT exemptions for printed works.

However, the new coalition showed its strong character during its first few weeks in office. Radical changes of economic laws, and a budget proposal with approximately 3% of GDP were formed. The tax system was changed radically in order to increase tax yield for the budget. The parliamentary opposition (which had the formal right to) was determined to slow down the adoption of the budget. Nonetheless, all of the changes were pushed through fairly quickly with MPs even working through the night – which is why they were called the 'reforms of several nights'. President Valdas Adamkus only vetoed two from a huge number of hastily adopted amendments to the law: one veto was accepted, another rejected by a qualified majority of the Seimas. The new government was expected likely to remain stable until the middle of 2009 when Presidential and European Parliament elections took place.

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