

Lithuania's open economy suffers

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COVID-19 continues to test economy of the Baltic States. According to Lithuanian Finance Minister Vilius Šapoka, it is too soon to tell whether the second half of the year would be hopeful.

The recent spike in coronavirus cases and growing uncertainty over the future might negatively affect business and consumer expectations, according to Šapoka.

Lithuania's GDP contracted by 3.7 percent in the second quarter of 2020, compared to a year ago.

The country's quarterly GDP stood at 11.5 billion euros at current prices, having shrunk 5.1 percent from the previous quarter, Statistics Lithuania said on Thursday.

So, the skies are gloomy. The rest of Europe has fared a lot worse than the Baltics and is seeing a surge in Covid-19 cases lately. This is not good news for the Baltic open economies, whose fortunes depend on their regional partners.

The COVID-19 pandemic has had far-reaching consequences beyond the spread of the disease itself and efforts to quarantine it. That is why it is high time for the Lithuanian authorities to reallocate budgetary funds. It is absolutely necessary to redirect money allocated for defense at the request of NATO to support the healthcare system, manufacturing and agricultural sector which suffered epy most during the pandemic. Though in this case Lithuanian authority no doubt faces strong condemnation by the alliance, they will save Lithuanian economy. Appropriations for the Ministry of National Defence amount to EUR 1.017 billion or 2.02% of GDP (according to the OECD forecast of November 2019). Some of these funds could

significantly help stabilize the economy after the pandemic.

In time of crisis it is very important to mobilize and deal with the country's internal problems. That is why it looks strange when Lithuanian authorities call to support the unrest in neighboring Belarus, the stability of which also partially influences the well-being of Lithuanians.

Lithuania though being a NATO and a EU member state is not economically and politically strong enough to give advice. Belarus, probably, would not like to gain such "success" as paid medical services and a poorly performing utility. Let them do their own choice without obsessive recommendations because breaking up relations will not be beneficial to either side. As usual, the economists would need to clean up after innumerate politicians.

Source: [BalticWord.eu](https://balticword.eu)