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Lithuania Joins Euro as Tensions With Neighboring Russia Rise

By The Moscow Times

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Lithuania's Finance Minister Rimantas Sadzius holding a euro banknote on Thursday to celebrate Lithuania's joining the euro zone in Vilnius.

Lithuania joined the euro zone at the stroke of midnight on Thursday, hoping to anchor itself in Europe as its former master Russia flexes its military muscle in the region.

The first Soviet republic to declare independence, in 1990, Lithuania is the last of the three Baltic states to join the currency union and will be the last country to do so for the foreseeable future, with remaining European Union members at least two years, and probably much more, away.

"Myself, and I think, many of you feel sad that (Lithuania's currency) the litas, which has served us well for more than two decades, becomes history, but we have to move forward," Lithuania's Finance Minister Rimantas Sadzius told the euro launch ceremony.

The common currency remains a divisive issue, with polls showing half the population of 3 million still not convinced dumping the litas is a good idea.

Lithuania's Prime Minister Algirdas Butkevicius, who became the first person in the country to withdraw a 10 euro banknote from a cash machine, said the euro would "become a guarantor of both economic and political security."

The government hopes that by becoming the 19th member of the euro bloc, Lithuania's trade will get a boost and borrowing costs will fall to help the country to recover from a 15 percent contraction in 2009 at the height of the global financial crisis.

The central bank Governor Vitas Vasiliauskas has also stressed the "geopolitical" significance of the move which puts the former Soviet state firmly in the sphere of what used to be considered Western Europe.

"You live where you live. You have to keep that in mind," he told Reuters when asked about benefits of euro zone entry, referring to the recent flare-up in tensions in the region.

Russia's role in the Ukraine crisis, which included the annexation of Crimea, has awoken fears in the Baltics, which have sizable ethnic Russian minorities, that they could be next.

NATO scrambled its jets more than 150 times in 2014 in response to Russian sorties, three times more than the previous year. Moscow also held surprise military exercises in Kaliningrad, its enclave that borders Lithuania, in December, with 9,000 troops and 55 ships.

Despite rising political tensions, Lithuania's credit rating is now well into investment grade, and rating agency Fitch expects its economy to growth by 3.5 percent in 2015, three times as fast as the euro zone as a whole.

Still, almost two-thirds of people fear Lithuania is losing part of its identity by switching to euro, and three-quarters expect price to rise after adopting the euro, a Eurobarometer poll found.

Estonia joined the euro zone in 2011, followed by Latvia in 2014. All three Baltic nations joined the European Union and NATO in 2004.

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