# Slovenian government ousted by vote of no confidence

**By Markus Salzmann**
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After months of continual parliamentary crisis, the Slovenian minority government led by Premier Borut Pahor was ousted from office following a vote of no confidence on Tuesday. Leading spokespersons for Slovenia and the EU have expressed their hopes that this will bring in a “stronger” government capable of driving through massive austerity measures in the heavily indebted Balkan state.

The collapse of the social democratic regime could have negative effects upon the European Financial Stability Facility (EFSF), the rescue fund that is yet to be ratified by all eurozone member states. The decision about this rescue fund is due to be made in the Slovenian parliament on September 27.

In parliament, 51 of the 88 deputies voted against Pahor’s motion for governmental reforms, which the social democratic took to be a sign of no confidence. Only 36 MPs voted in favour, and there was one abstention.

Pahor’s downfall hardly comes as a surprise. Last month, the withdrawal of leading representatives of the pro-business LDS party from the governing coalition only further intensified the internal political crisis. Previously, the Zares Party (founded by dissident members of the LDS in 2007), as well as the pensioners’ party Desus, had already left the coalition that was originally composed of five political parties.

The proposal causing the lack of consensus was a planned pension reform, which would have raised the retirement age. This reform, which included a reduction in social benefits, was rejected by the great majority of Slovenians in a referendum. Pahor duly declared he was not prepared to accept the will of the people and announced that he would find another way to achieve the desired spending cuts.

His regime then put forward a revised budget, which was supposed to reduce government spending by €360 million. It included wage cuts and a freeze in new public sector employment.

Pahor is correspondingly unpopular. According to an opinion survey by the newspaper *Dnevnik*, nearly 55 percent of those questioned said that they had no confidence in the Pahor government. Only 34 percent said they hoped that the premier would win the vote. More than 70 percent said they wanted early new elections.

The other EU member states have for some time now had considerable doubts about the negotiating abilities of the Pahor government. In response to the economic crisis, the EU and IMF have been putting Slovenia under great pressure to implement austerity measures along the lines of those demanded in Greece.

Most recently, the EU commission and the German government have insisted that Slovenia must drastically reduce its state debts. Angela Merkel visited Ljubljana at the end of August and made a speech saying that this must be done despite the public referendum rejection: “Ways and means must now also be found to implement structural reforms.”

The country’s budget deficit rose from 22 percent of GDP in 2008 to an estimated 45 percent last year. In the eurozone, this rate of increase between 2008 and 2011 was only topped by Ireland.

After being a “star pupil” eurozone member till the start of the financial crisis, Slovenia’s GDP sank by 8.1 percent in 2009. Slovenian financial institutions were threatened by losses of billions. The official unemployment rate has since doubled, reaching 12 percent. The EU commission prognosis for 2012 is that Slovenia will undergo the highest percentage increase in state debts of any EU member country.

Countless Slovenia business enterprises have fallen victim as a result. For example, the long-established Lasko brewery is now in the hands of major banks after it was unable to service its debts. The largest construction company, SCT, had to declare itself insolvent in June. And unless the Slovenian airline Adria is rescued with public funds at the last minute, it will go the same way in the coming month.

In any case, the banking system is on its knees. The largest bank, NLB, needs a capital injection of €400 million by the end of this year, and even so will remain in the red. The second largest bank, NKBM, saw its profits fall in the first two quarters by 50 percent in comparison to last year.

European banks, which have been heavily engaged in Slovenia and other Baltic states, will be correspondingly affected. Mostly from 2002 onwards, French, Italian and Austrian investment banks have bought into the Slovenian banking sector and currently dominate it.

Practically all Slovenian parties are calling in parliament for a “strong government” to be created as quickly as possible. Joining in the chorus, economic experts and business representatives are demanding new elections as soon as possible in order to press ahead with wide-sweeping “reforms”.

Trade union organisation representatives agree with the call for a “strong government”. The ZSSS trade union has publicly stated that “a stable new government would be able to negotiate further reforms”.

The current most likely successor to Pahors is the right-wing former premier Janez Jansa, leader of the Democratic Party. He served in office between 2004 and 2008, already pursuing very right-wing austerity policies during this time. His government proposals to make massive cuts in social security spending led, in November 2005, to the biggest protest demonstration in Slovenia since it declared independence 20 years ago, with more than 40,000 taking part.

Jansa, who is currently facing charges of corruption, would undoubtedly not hesitate to rely on the support of extreme right-wing groups in order to enforce radical austerity measures. He enjoys close ties with the far-right Slovenian National Party (SNS). During his time in office, countless new laws and policies were passed thanks to the support of the SNS.