

# Latvia rocked by protests

Stefan Steinberg  
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On January 13, Riga, the capital of the Baltic state of Latvia, was rocked by protests and demonstrations that left around 25 people injured following clashes with police. Police made an estimated 106 arrests.

A crowd of around 10,000 people had gathered Tuesday in Riga to protest in the city's historic Dome Square. The rally was called by opposition political parties, trade unions and non-governmental organizations against government measures to shift the entire burden of Latvia's accelerating economic crisis onto the backs of the general population. Protesters also complained of government corruption and incompetence.

The existing Latvian government consists of an unstable coalition of six right-wing, pro-business and extreme nationalist parties, and includes the country's Green Party—TP/LPP/LC/ZZS/TB/LNNK (People's Party/First Party of Latvia/Latvia's Way/Latvian Alliance of the Green Party and Farmers Union/For the Fatherland and Freedom/Latvian National Independence Movement).

At the end of the demonstration in Riga, a number of protesters threw snowballs and stones at government buildings, breaking some windows, to which police responded violently.

In a public statement on Wednesday, Latvian President Valdis Zatlers denounced the protests, but also conceded that trust in the government, including its ability to deal with the country's accelerating economic crisis, had "collapsed catastrophically".

Zatlers called for "new faces in the government" in order to appease popular discontent. He said the changes should be made by March 31, or else he would propose a referendum that could dissolve the parliament.

One member of the Latvian parliament, Krisjanis Karins, a former leader of the opposition New Era party, remarked that the latest protests were indicative of a clear radicalisation by sections of the population. He drew a parallel to the most recent events in Greece, where there has been a series of protests and demonstrations against economic stagnation, rising poverty, widespread

corruption and a disintegrating education system.

In the past, Karins said, protests in Latvia tended to follow a pattern of "standing, singing and just going home", but the young protesters who showed up on Tuesday evening "seem to think the Greek or French way of expressing anger is better", he said.

"In our neck of the woods, this just doesn't happen", he said. "But it did this time.... In six months, we're going to look back and yesterday will be a watershed", he concluded.

## Latvian currency and economy face meltdown

For many years following the collapse of the Soviet Union, Latvia was regarded as one of the leading "Baltic Tiger" states, repeatedly notching up double-digit economic growth rates from 2000 onwards. Now, however, the international financial crisis has revealed the vulnerable belly of Latvia and other Baltic and East European economies.

Like the other Baltic states, Estonia and Lithuania, Latvia's recent economic success was based on large inflows of foreign capital. The sudden drying up of such capital flows in the wake of the international finance crisis has plunged the Latvian economy into calamity and forced the government to take emergency measures to prevent a collapse of the country's currency, the lat. Any implosion of the lat would result in its decoupling from its fixed exchange rate with the euro. This in turn would have had a huge destabilising effect on investor confidence across Eastern Europe, threatening all the other economies of the region that are tied to the euro.

In order to prevent such a scenario, the Latvian central bank has spent a fifth of its reserves in recent months while appealing for international assistance to prop up its economy.

In December the European Commission, the IMF, the

World Bank, the European Bank for Reconstruction and Development (EBRD) and a number of EU member states agreed to provide Latvia with a €7.5 billion stabilization loan.

Fears of a knock-on effect from a collapse of the Latvian currency and economy for all of Eastern Europe were expressed in the fact that the Czech Republic, Poland and Estonia together contributed €400 million to the bailout, despite the fact that their own economies are in a precarious position.

Nevertheless the comprehensive financial support by EU agencies and the IMF did not deter the Moody's rating agency from downgrading Latvia just two weeks after the loan package was agreed. The agency expects public sector debt levels in Latvia to rise steeply during the next three years, from a current 10 percent of GDP, to around 50 percent of GDP in 2011. A collapse in tax revenues combined with the Latvian government's own bailout program for the country's banks will inevitably inflate the government's budget deficit.

Some economic experts are now predicting a double-figure contraction of the country's gross domestic product in 2009. Salaries are expected to fall substantially, and unemployment is expected to rise dramatically. According to an analysis by the Working Day Latvia staffing company, given the current rate of job losses unemployment levels in Latvia may reach 20 percent in 2009.

Under conditions of a looming economic meltdown and a growing radicalisation by the country's population, the trade movement in the Baltic region is doing everything in its power to defuse the current crisis. In neighbouring Lithuania the trade unions planned their own protest to take place in Vilnius against government policy on Thursday. From the outset the unions emphasised they have no intention of challenging the unpopular government led by Prime Minister Ivars Godmanis

At a press conference on January 14 the chairman of the Lithuanian Professional Unions Confederation, Arturas Cerniauskas, told journalists, "We hope that the Riga scenario will not be repeated".

Cerniauskas stressed, "Our demands are only economic. We are not trying to topple the current government, because certain decisions made by this government are acceptable to us. Some decisions, however, are unacceptable. We want the government to wake up and change some of its decisions". He also made clear his organisation would not attempt to achieve a broad

mobilisation.

## Growing tensions across Europe

The protests in Latvia are indicative of economic, social and political tensions across Europe. Only one day after the demonstrations in Riga, a 2,000-strong protest involving students and farmers outside the parliament building in Sofia, the capital of Bulgaria, ended in violent clashes with the police.

Widespread anger at the corruption and incompetence of the Bulgarian political elite has been exacerbated by the current gas crisis, in which the Balkan state has suffered severe heating and power shortages due to its total reliance on Russia for energy.

These latest events demonstrate how rapidly the deepening international financial crisis is leading to violent confrontations throughout Europe.

The political repercussions of the crisis found their first expression in the lobbying of banks by ordinary investors and daily protests by citizens in Iceland at the end of November. Then Greece was shaken by a series of demonstrations and protests throughout the month of December. In the meantime, the prime minister of Belgium has resigned and the Belgium government reorganized as a direct consequence of the finance crisis.

The coming weeks and months will undoubtedly see further political convulsions throughout Eastern and Western Europe.



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