

Elections in Latvia—austerity course to be continued

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On October 2, a new parliament will be elected in Latvia. The elections take place against the background of a deep economic, political and social crisis. Two years of austerity measures have destroyed large parts of the country's social infrastructure, while unemployment and inflation have reached unprecedented levels.

Up until 1991, Latvia, with its 2.2 million inhabitants, was part of the Soviet Union. After the collapse of the Soviet bloc, Latvia became independent and in 2004 joined both the European Union (EU) and NATO. Since gaining independence, the country has been governed by right-wing bourgeois political parties, which in rapid succession have been formed, undergone splits and dissolved themselves again. Since the end of 2007, there have been no fewer than three changes of government, without a parliamentary election.

In Latvia, there is also a large Russian minority, which has its own parties—in part split-offs from the former Communist Party. Nearly a third of the inhabitants of the country do not speak Latvian as their mother language—mainly Russians who moved to Latvia in Soviet times. Approximately 350,000 of them do not possess a Latvian passport, and have merely residency papers and a right-to-work permit.

The international financial and economic crisis has hit Latvia especially hard. The country's gross domestic product has plunged by about a quarter since 2008 and unemployment has trebled. Unemployment rose to 20 percent at the start of the year and has since then declined to 16 percent, largely as a result of computational tricks. Tax revenues sank last year by 30 percent.

Bankruptcy for the Baltic state was only avoided by the awarding of loans by the International Monetary Fund (IMF) and EU. Both institutions linked their loans

to drastic austerity conditions. The Latvian government had to slash its public spending in order to lower the budgetary deficit to less than 3 percent of gross domestic product by 2012. In 2009 the government cut its budget by around 500 million Lats (€714 million), and a further 300 million Lats are due to be cut by the end of this year.

The right-wing government, led for the last one and a half years by the 39-year-old Prime Minister Vladis Dombrovski, has closed schools and hospitals, slashed the wages of public servants and also agreed to further economic measures.

Wages in the public sector have been cut by around 30 to 50 percent, income tax increased from 23 to 26 percent and value-added tax raised from 18 to 21 percent.

More than half of the 56 hospitals in Latvia, including the country's biggest hospital with 650 beds, Rigas Prima Slimnca, have been closed down. At the same time, the government is planning further cuts, in particular reductions to the country's already very low level of pensions.

In an interview to a German newspaper last May, Dombrovski defended the austerity measures. "There is, particularly when one is in the Eurozone," he said, "no alternative to saving if one wants to recover competitiveness. This should be implemented very fast and brutally, and without hesitation."

The social situation for many Latvians is desperate. The country has the highest proportion of poor citizens in the EU. Unemployment relief is paid for a maximum of nine months. Then recipients can claim an extremely low level of welfare assistance for a maximum of 45 months. According to the latest cabinet plans, this money is now to be linked to a system of forced labour, whereby recipients carry out jobs such as road

sweeping. Anyone who refuses loses all rights to any payments.

Poverty and the sinking standard of living have led to a wave of emigration, with approximately 30,000 leaving the country annually. Specialist workers are already in short supply. In addition, private indebtedness and high unemployment have led to a slump in domestic consumption. Latvia currently has the world's highest rate of deflation—estimated at around 3.7 percent for 2010.

The central theme of the election campaign is the continuation of the harsh austerity course, which is supported by most parties, despite the huge level of popular discontent. President Valdis Zatlers has called upon all parties, in the event of an election victory, to adhere to the conditions laid down by the IMF and not question the austerity course. “I am quite confident that there will be continuity”, he commented recently, stressing the inevitability of further cuts.

Three conservative bourgeois parties have united to form an electoral coalition named Unity in order to increase their chances at the elections. This pact also includes the New Era party led by the acting head of government, Dombrovski.

Nevertheless, the conservative camp is thoroughly divided, and four Ministers recently submitted their resignations. This means Dombrovski's centre-right-wing coalition has been reduced to four parties and has only 47 of the 100 seats in the Riga parliament. One of the coalition parties is the ultra-right Party for Fatherland and Freedom (LNKK), which conducts racist agitation against the Russian minority and has close contacts to neo-Nazi groupings.

In order to secure a majority for the harsh austerity course, intensive maneuvers have been taking place behind the scenes in the run-up to the election. According to reports in the Latvian media, there have been talks between right-wing Unity and the Harmony Centre, which has been joined by the parties of the Russian minority, which describe themselves as “social-democratic”.

The US and the IMF are also alleged to be intimately involved in these talks. According to a report in the daily paper *Neatkarīga Rīga Avīze*, Washington has chosen its own candidate for the office of the prime minister, IMF advisor Janis Platais. According to the report, the selection was made following a series of

secret discussions between high-ranking Latvian politicians and IMF representatives behind locked doors. The initiative was organised by the US embassy in Riga. The aim is to bring forces into the government that are determined to continue the austerity policy of Dombrovski in the face of a rising tide of opposition.

The only opponents of the austerity programme from the bourgeoisie are a number of influential Latvian oligarchs who have created their own parties. Ainars Slesers and Andris Skele have emerged as leading candidates of the re-formed right-wing alliance For a Good Latvia. Aivars Lembergs, who made his fortune in the transport of Russian oil when he was mayor of the port Ventspils, has already stood as a leading candidate on behalf of the Greens and small farmers.

These figures, who made their fortune by appropriating state property in the 1990s, have no concern for the misery of the population. Instead, they condemn the IMF diktats because they are afraid of damage to their own political and economic interests arising from the interference of this US-dominated institution. None of the parties standing in the election expresses the opposition of broad social layers against the catastrophic austerity measures.

According to the latest polls, Unity and the Harmony Centre are ahead, but the profound political and economic crisis gripping the country makes any prognosis for the election uncertain.



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