

# Latvia's new government promotes austerity policies and war propaganda

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Latvia's parliament has given a vote of confidence to the government of Laimdota Straujuma, one month after parliamentary elections. Her right-wing conservative Unity Party signed a coalition agreement with the nationalist National Alliance and the Coalition of Greens and Farmers. The deal continues the brutal austerity course and, in foreign policy, makes the country a pro-NATO outpost in the conflict with Russia.

The largest party in parliament is the pro-Russian Harmony Party, even though 13 percent of Latvians, the number holding a Russian passport, were excluded from the vote. Harmony will continue in opposition.

In her acceptance speech, Straujuma praised the austerity measures imposed in Latvia since 2009. The Baltic state was hit hard by the global economic crisis. The economy contracted by more than 20 percent after 2008. In Latvia today, 90,000 more people live in poverty than in 2010. The poverty rate rose from 14 percent to over 20 percent, and social inequality has dramatically intensified due to the austerity measures. The Gini coefficient, which measures income inequality, is the highest in the European Union (EU).

This has previously triggered conflicts within the government. At the end of last year, then Prime Minister Valdis Dombrovskis resigned due to sharp differences within the governing coalition. The dissatisfaction was expressed in the election by mass abstention. Voter participation was only 59 percent.

The government, which takes over control of the EU council presidency in January next year, has declared its most important goals to be economic growth and competitiveness. These could only be achieved through a decisive budgetary policy, said Straujuma.

Budgetary policy has focused on the destruction of social infrastructure in recent years. Half of all of the

country's hospitals were shut down and a comprehensive medical service no longer exists.

The education sector has also suffered under the cuts. Since 2009, the pay of teachers and other public sector workers has been slashed by up to 60 percent. The media has reported on school head teachers who have to work as night janitors on the side to make ends meet. Now Straujuma cynically declares that teachers must be capable of "encouraging the younger generation to achieve excellence."

The austerity measures were part of a program of shock therapy imposed jointly by the International Monetary Fund (IMF) and EU. Under Straujuma's predecessor, Valdis Dombrovskis, mass layoffs were carried out in the public sector, taxes increased and a flat tax adopted. Dombrovskis was rewarded with an EU commissioner's post, responsible for social dialogue!

The Latvian government and the EU portray their brutal austerity measures as a success story. The universal flat tax placed a greater burden on low and middle income earners than high earners. The Baltic republic has the EU's largest low-wage sector, with hourly wages of €2 per hour.

All this makes Latvia a poster child for neoliberalism. As a consequence, growing numbers of people are leaving the country. In 1991, there were 2.4 million residents in Latvia, but this year there are less than 2 million.

In spite of the crisis, Dombrovskis held firm to the goal of introducing the euro, leading the way in the campaign for rigid austerity. The government campaigned for a debt ceiling throughout Europe, and Finance Minister Anders Vilks demanded Greece leave the Eurozone if they did not take similarly drastic measures as in Latvia.

The government's main concern was the banks. Shortly after the bankruptcy of Lehman Brothers, Latvia's second largest bank, Parex, declared bankruptcy. The IMF and EU provided a loan totalling €7.5 billion, demanding in return the implementation of strict austerity measures. The Latvian government controls 75 percent of Bank Sitadele, and it is currently in talks with a US investor to sell its share.

While cuts are being made everywhere, the budget for security and defence is to be increased to two percent of GDP by 2020. Immediately after the Ukraine crisis, the cabinet adopted a law increasing the budget. "This is important for us and our strategic partners," stated Straujuma, referring above all to demands from the United States and Germany.

Toms Baumanis from the Latvian Institute of International Affairs, a pro-Western think tank, called on Latvians to accept further meagre years. For the benefit of the military, Latvia had to slash the budgets for social services, health care and education, he declared. Former Finance Minister Vilks also urged more austerity to fund rearmament.

Janis Reirs, Vilks' successor at the finance ministry, is considered a hardliner on the issue of budgetary discipline. He intends to bring the 2015 budget before parliament as soon as possible. Foreign Minister Edgars Rinkovics and Defence Minister Raymonds Vejonis, who have both campaigned for a firm anti-Russian stance, will keep their posts in the new cabinet.

In a statement from the new government, it was noted that the "combat-readiness" of the army would be improved; confronted with a changing security situation, troop numbers would be increased.

Several intellectuals in Latvia have joined the right-wing, anti-Russian warmongering campaign. Popular writer Mara Salite demanded not only firm military action against Russia, but also domestic measures. She accused non-voters of immoral behaviour and called for the creation of a single Latvian party to stand in elections in order to ensure the unity of the Latvian people.

In line with Salite, a number of artists, historians and writers recently wrote an open letter to German Chancellor Angela Merkel. Merkel should campaign for a permanent NATO base in Latvia, they wrote, and Germany was morally obliged to do this.

As a consequence of the Ukraine crisis, the EU has

sharply increased its military presence in Eastern Europe. German General Hans-Lothar Domröse recently stated that he could contemplate major manoeuvres by NATO in Eastern Europe and the Baltic region involving up to 40,000 troops. The United States took the decision in September to increase NATO exercises in Eastern Europe. NATO Secretary General Jens Stoltenberg announced a total of 200 exercises for the coming year.



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