

Latvia Wanted to Bridge EU with Russia but Is Now in Economic Trouble

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The transit industry was one of the most important in Latvia and was established during the Soviet era. In the first years of Latvia's independence in the 1990's, it was destroyed. The International Monetary Fund (IMF) has significantly lowered Latvia's gross domestic product (GDP) forecast for this year, estimating that Latvia will have the sharpest economic downturn in the Baltic States this year at a massive 8.6%. A massive part of this downturn is precisely because of the failure of the transit industry.

Although the IMF does not decipher what factors led it to forecast the sharpest decline in GDP in Latvia, the Baltic country has the largest share of air transport in the region and the decline in the aviation sector will be very large. The difficulties in the aviation sector are entirely the result of the coronavirus pandemic of course, but the situation is different with the transit sector. While a significant drop in turnover is observed in Latvian ports and railway transportation, the Klaipeda port in Lithuania achieved a record monthly turnover last month at 4.5 million tons.

This effectively means that coronavirus is not to blame and rather it was the deliberate destruction of the transit industry that is attributed to the U.S. sanctions imposed and implemented by the New Conservative Party against Russia. This is in addition to the changes in the port administration model and the dismissal of the Riga City Council.

In Latvia, common sense and economic benefits were sacrificed for the emotional joy of the anti-Russian elites who came to power and associated the country's ports and railways as belonging to the wrong political ideas and Russia. The new party gave up €380 million for the electrification of Latvian Railways, thus permanently returning the transit sector to Lithuanians ports and transportation networks. Latvia's political elites chose to destroy the country's economy for ideological reasons.

The whole pathos in the first years of independence was aimed at the fact that industry is something "foreign" to the Latvian people. From the political elite's view, industry in Latvia must be destroyed as it embodies so-called Soviet occupation and Russian invasion. Even agriculture could not be saved from these purges. The old agricultural structures were considered to be ideologically harmful and therefore were destroyed. Effectively Latvia has been de-industrialized in a crazed frenzy to also de-Sovietize their societies, but at what price?

Latvia gave up its industry because it believed that it could potentially be a pressure point against Russia on behalf of the West and with its blessing. During a meeting with the German and Baltic Chambers of Commerce in February, Latvian President Egils Levits, said that it is important his country considers itself a part of the West but can be a bridge to

Russia. Levits also emphasized that Latvia is an active member of the European Union and participates in discussion of all issues.

“We are thinking about the specific situation of Latvia so that these common decisions would benefit Latvia, but at the same time we also think about the fact that these common decisions in the EU would benefit the entire EU,” the President emphasized. In his view, this is the right approach, although it is more difficult for a small country to implement than for larger countries. “Therefore, our foreign policy and also our European policy is based on multilateralism,” he claimed.

Such positive comments towards the EU is rather just gestures in the hope to get money from the Bloc as Latvia surely enters into an economic crisis. The concept of connecting the East and West through the Baltics was developed by the Baltic states themselves who tried to convince the EU that they knew Russia best because they were part of the Soviet Union. However, such a bridge is only necessary when contacts do not exist between the West and Russia, and Moscow has never needed a mediator nor has anyone appointed Riga for this role.

Latvia has never been a mediator in relations between Russia and the EU in the political sense, but has acted as a transit hub for the supply of cargo and energy resources from Russia. However, even this is being reduced now in favor of Lithuania as the Latvian government continues to follow an aggressively anti-Russian policy.

With Riga not needed as a bridge between East and West, and Latvia now a deindustrialized country, it is now facing one of its worse economic crises that it created itself despite the coronavirus pandemic. It is also unlikely that the EU will bail them out since expansion into the Baltics was already achieved and Brussels has its eyes set on the Balkans instead.

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