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## LATVIA: EU PRESIDENCY AT A TIME OF GEOPOLITICAL CRISIS

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By taking over the rotating presidency of the Council of the European Union for the first time in January 2015, Latvia is completing its transformation from Soviet republic to leading EU and NATO member. This gives the small Baltic state the opportunity to provide leadership on the crisis in Ukraine and to shape a strong EU voice against an aggressive Russia.

Latvia's approach to the Ukraine crisis must balance two opposing aspects. Latvia feels at risk from Russian aggression and has therefore increased defense measures. At the same time, Latvia has close cultural and economic ties to Russia. Latvia's deep ties to Russia suggests that the country may be more open to engaging Russia to promote de-escalation in Ukraine rather than isolating it.

Latvia staunchly supports Ukraine's sovereignty and territorial integrity. The government has denounced the annexation of Crimea, called for a greater NATO presence in the Baltics, fought against Russian propaganda, and supported sanctions against Russia. However, Latvia has not fully turned its back on its big neighbor. Latvia's large ethnic Russian population maintains close ties with Russia, and the two countries have very significant trade ties. In effect, Latvia has kept economic and cultural doors open to Russia should the situation in Ukraine de-escalate. Latvia may advocate for the swift removal of sanctions if enough progress were made in Ukraine.

As Latvia embarks on the Council presidency, it will push for more unified EU support for Ukraine but will also strive to balance tough defense policies with incentives for economic re-engagement with Russia. This will be especially important as the EU sanctions come up for review in March 2015. The presidency will also prove important for defining the EU's ties to the neighborhood more generally. The Eastern Partnership Summit that will be held in Riga in May 2015 will give Latvia and the EU an

opportunity to reimagine and reinvigorate relations with Eastern neighbors.

### Latvia's Support for Ukraine and Sharp Elbows for Russia

As a former Soviet republic, Ukraine still suffers from the same economic and political challenges that Latvia faced in the 1990s. For this reason, Latvia has strongly supported Ukraine's efforts to develop closer ties to the EU. Ahead of the Eastern Partnership Summit in Vilnius in November 2013, Latvia's speaker of parliament expressed the hope that an EU Association Agreement would allow Ukraine and Latvia "to continue to develop [their] welfare [...] and cooperate as free and independent countries."<sup>45</sup>

Although there is no land border between them, the two countries have close cultural ties. Ethnic Ukrainians constitute the third largest population group in Latvia. Throughout the conflict, Latvia has provided humanitarian aid and expert support to Ukraine, including treating wounded Ukrainian soldiers, conducting workshops for government and civil society on anti-corruption, organizing joint seminars for defense officials, sending electric power generators, and helping to create a European studies program for Ukrainian universities.

Ukraine has also asked for Latvia's advice on EU integration, which is especially important as it seeks to make full use of the opportunities presented by the Association Agreement. As Latvia's Foreign Minister Edgars Rinkēvičs has argued, "The signing of the Association Agreement is not an end goal, but rather, just the beginning."<sup>46</sup>

In addition to bilateral support, Latvia backs Ukraine in many international forums. In

<sup>45</sup> Solvita Āboltiņa: Ukraina var rēķināties ar Latvijas atbalstu ES asociācijas līguma noslēgšanā, October 2, 2013.

<sup>46</sup> Statement by Foreign Minister Edgars Rinkēvičs, July 16, 2014.

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November 2014, for example, Rinkēvičs met with UN Secretary-General Ban Ki-moon to draw attention to the needs of the Tatar people in Crimea since the annexation.<sup>47</sup>

The Ukraine conflict has also changed Latvia's relations with Russia. As an EU and NATO member and a former Soviet republic, Latvia is on the front line of the re-emerging struggle between East and West. The crisis in Ukraine has left many Latvians afraid that their country may become the next battleground. As a result, Latvia has pushed for greater NATO protection for the Baltic states and welcomed the United States' decision to rotate some of its armed forces on Latvian territory.

Despite close economic ties, Latvia has supported sanctions against Russia and fought against Russia's propaganda campaigns. In a controversial move, Latvia temporarily suspended a Russian state television channel from broadcasting in the country in order to stop what it considered hate speech. In the future, Latvia would like to provide alternative Russian-language broadcasting, possibly with the support of the EU and the United States.<sup>48</sup>

Latvia's actions in relation to Ukraine and Russia have been more moderate than those of neighboring Lithuania. The latter has taken more drastic actions such as offering to provide arms to Ukraine, creating a rapid response force, and breaking its energy dependence on Russia by leasing a liquefied natural gas ship to import gas from Norway's Statoil. In response to Lithuania's pledge to provide arms, Latvia's Prime Minister Laimdota Straujuma argued that Latvia would support Ukraine "in a different way."<sup>49</sup>

<sup>47</sup> "Foreign Minister argues for 'Energy Union,'" *Latvian Public Broadcasting*, November 3, 2014.

<sup>48</sup> Corey Flintoff, *Baltic States Battle Russian Media Blitz*, *NPR*, September 4, 2014.

<sup>49</sup> No arms to Ukraine, vows PM, *Latvian Public Broadcasting*, November 25, 2014.

## Determinants of Latvia's Policies

Historical experience makes Latvia very sensitive to Russia's annexation of Crimea while at the same time making policy with regard to Russia especially challenging. Nearly 30 percent of the population speaks Russian as a first language, yet many ethnic Russians are not allowed to vote in elections and have special non-citizen status.<sup>50</sup> As a result, while some political and business voices push for a tough stance against Russia, others urge maintaining economic and cultural ties with it.

The center-right government is pro-Western and has remained popular throughout the economic crisis and the conflict in Ukraine. Parliamentary elections in October 2014 gave the ruling coalition a new mandate. The prime minister, foreign minister, and defense minister remained in place.

The opposition has a more complex relationship with Russia. The top opposition party is the center-left Harmony Center, which represents many ethnic Russian voters. In the past two parliamentary elections, it won the most seats but was unable to build a coalition to form a government. It is, however, the governing party in the Riga city council.

Ethnic affiliation carries more weight than left-right divides in Latvia, with ethnic Latvian parties on the right and ethnic Russian parties on the left. Harmony Center is trying to break this pattern and present a center-left political voice for all ethnic groups. At the same time, though, it maintains close political ties with Russia and signed a cooperation agreement with Vladimir Putin's United Russia party in 2009.

<sup>50</sup> Estonia and Latvia are the only EU member states that instituted a "non-citizen" status in the 1990s. In Latvia, non-citizens are legal residents who did not meet the original requirements for citizenship in 1991 and have not naturalized to obtain citizenship. Non-citizens are not able to vote but are free to travel throughout the Schengen area and Russia. Children of non-citizens receive Latvian citizenship unless the parents object. Non-citizens comprised 14.1 percent of Latvia's population in 2011.

The experience of the mayor of Riga, Nils Ušakovs, illustrates the difficulty of balancing economic and cultural ties to Russia with political integration in Europe. An ethnic Russian who was naturalized as a Latvian citizen and was educated in Denmark, Ušakovs represents a new generation of ethnic Russians who struggle between the rival pulls of the EU and Russia. He has denounced the annexation of Crimea but opposes sanctions against Russia. He has also built strong relations to social democratic parties in Western Europe, which, for example, gained him the endorsement of the president of the European Parliament, Martin Schulz, in advance of the Latvian parliamentary elections this year. At the same time, Ušakovs has close ties to Moscow, for example visiting Russian Prime Minister Dmitry Medvedev to foster better trade between his city and Russia at the same time as the NATO Wales Summit was debating how to address Russian actions in Ukraine.<sup>51</sup>

Economic and infrastructure links with Russia are a further vulnerability that can affect policy. Russia's significant stake in Latvia's strategic energy infrastructure precludes diversification of energy resources. Gazprom owns 34 percent of the national gas company, Latvijas Gāze, and Latvia is fully dependent on Russia for its natural gas supplies. In theory, Latvia could purchase natural gas from other sources through Lithuania's new liquefied natural gas import facility. Latvia could even store the new gas in its large facility in Inčukalns. But the site cannot be used as part of any effort to diversify energy sources before 2017. Until then, Latvijas Gāze has exclusive rights to the facility, and no other gas companies may store gas at the site. After 2017, the Latvian government will be able to review Latvijas Gāze's use of the facility and possibly demand that Latvijas Gāze unbundle gas supply

<sup>51</sup> Michael Birnbaum, In Latvia, fresh fears of aggression as Kremlin warns about Russian minorities, *The Washington Post*, September 27, 2014.

from gas storage, thereby allowing third parties to store gas in Inčukalns.

Russia's economic influence extends beyond energy. Russia is one of Latvia's largest export markets. The Latvian government supported sanctions against Russia in spite of the heavy toll that they could take on the country. Already, Latvia has been heavily affected by Russia's import embargo on dairy products, meats, fruits, and vegetables from the EU. The Ministry of Economics has forecasted a 0.25 percent drop in GDP as a result.<sup>52</sup>

Dairy producers and fruit and vegetable growers have been hardest hit. Because of the drop in demand from Russia, the wholesale price of milk in Latvia fell by 25 percent between July and November 2014, and the price of butter and cheese fell by 19-20 percent. The market price of vegetables fell by 30-50 percent.<sup>53</sup>

The government weighs the significant economic costs of sanctions against their political significance. Prime Minister Laimdota Straujuma has warned that the worst-case scenario could be a 10 percent drop in GDP if Russia were to cut off all economic ties with Latvia. This is unlikely to happen but if it did, the prime minister argued, the principle of political sovereignty would justify economic hardship. "We cannot back down on sanctions. [...] Independence is more important than economic hardship, which we can overcome," she said.<sup>54</sup>

Economic, political, and social tensions within Latvia will continue to feed the debate on relations

<sup>52</sup> Krievijas sankciju netiešā ietekme uz Latvijas ekonomiku var sasniegt 0,25% no IKP, *Nozare.lv*, September 30, 2014.

<sup>53</sup> Ziņojums: Latvijas un Krievijas attiecību pasliktināšanās gadījumā transporta nozares zaudējumi var sasniegt vienu miljardu eiro, *Finance.net*, November 25, 2014.

<sup>54</sup> Straujuma: Sankciju ietekme būs pārvarama; neatkarība svarīgāka par ekonomiku, *Latvian Public Broadcasting*, August 8, 2014.

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with Russia. But strong support for Ukraine will continue during and after Latvia's EU presidency regardless.

### Outlook

Through the EU presidency, Latvia will play a significant role in shaping European policies on the crisis in Ukraine. Rather than isolating Russia, it may try to keep the door open to normalizing relations should the situation in Ukraine improve.

Although Latvia was a strong supporter of the adoption of sanctions on Russia in 2014, it is open to revisiting the question. Ilze Juhansone, the Latvian ambassador to the EU, recently argued that the government would be open to either increasing or reducing sanctions, depending on the situation in Ukraine, and that sanctions were not an objective in and of themselves.<sup>55</sup>

With regard to the Eastern Partnership, Latvia is likely to focus on greater engagement with civil society and on redefining political and economic relations with the countries concerned. The Riga Summit is being planned as a forum for re-evaluating the relationship between the EU and its eastern neighbors, and the EU Council's program calls for approaching the neighborhood through

<sup>55</sup> Latvija savas prezidentūras laikā gatava atbalstīt gan sankciju pastiprināšanu, gan vājināšanu, *Delfi.lv*, November 21, 2014.

a more differentiated approach than before.<sup>56</sup> In particular, Latvia is planning to focus on "civil society and people-to-people contacts, which implies progress in visa liberalisation."<sup>57</sup>

Finally, Latvia will likely work more through the EU to enact policies related to Ukraine and Russia rather than approach these issues bilaterally with the United States. But this by no means discounts the importance of transatlantic relations for the country. NATO troop rotations in Latvia are crucial to its security and it clearly values the continued role of NATO visibility of troops and air patrols on its territory.

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<sup>56</sup> The Council of the European Union, 18 Month Programme of the Council of the European Union (1 July 2014 - 31 December 2015), 11258/14, Brussels, June 23, 2014, p. 28.

<sup>57</sup> Quote from Ilze Juhansone, Latvian Ambassador to the EU, in Georgi Gotev, Upcoming Latvian EU presidency slammed for anti-Russian bias, *Euractiv.com*, November 21, 2014.