

Latvian Prime Minister Dombrovskis resigns

By Markus Salzmann
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At the end of November, Latvian head of government Valdis Dombrovskis resigned. According to government sources, he thereby assumed political responsibility for the collapse of a supermarket in the capital Riga on November 21, which cost 50 people their lives.

Dombrovskis's resignation came as a surprise. The prime minister met several hours earlier with President Andris Berzins, after which he announced he would give up his post. Even his party colleagues and the coalition partners of his Vienotiba party (Unity) were surprised and angered. The resignation brought about the dismissal of all government ministers and the dissolution of the right-wing government made up of Unity, the Reform Party (RP), and the National Association (TB/LNNK).

However, it is extremely doubtful that it was the tragedy in Riga that forced Dombrovskis to resign. It is much more likely that this is a political manoeuvre by the prime minister, who was able to use the catastrophe in Riga as a pretext to resign and make way for a more stable government.

The collapse of the supermarket was the worst disaster in Latvia during peacetime, with 54 people killed and dozens injured. The cause of the accident is yet to be determined, but there are indications that the Maxima supermarket, which was built only two years ago, was constructed poorly. It is assumed that the rampant corruption in the Baltic state is at least partly responsible for the tragedy. Earlier this month, President Berzins called for a rapid and comprehensive investigation, as would normally be carried out in a murder case.

However, it is hardly likely that this would have forced an experienced and hardened politician like Dombrovskis to resign. His government has implemented draconian austerity measures in Latvia in recent years. Public sector wages were cut by 50

percent, and pensions reduced so far that the average monthly pension is now only €80 (US\$110).

The health care system has completely collapsed after the closure of half of all public hospitals and a similar reduction in resources. If medical treatment is required, it can be obtained only by paying cash. Workers can often not afford essential operations, with tragic consequences. There are not even doctors' practices in many rural areas. Trained medical professionals leave the country to secure a better standard of living in Scandinavia or western Europe. The Dombrovskis government, which under pressure from the European Union (EU) and International Monetary Fund (IMF) has been politically responsible for this social devastation, has boasted that the country is a "model pupil" for austerity policies.

The true motive behind Dombrovskis's resignation was undoubtedly to create better conditions for the formation of a government capable of maintaining the strict austerity course of recent years and introduce the euro. Latvia requires a government with decisive support from parliament that can cope with the current situation in the country, Dombrovskis stated. The right-wing coalition currently controls just 50 seats in the 100-seat parliament, and is dependent on the votes of six independent deputies. The next official election date is in October 2014, so early elections are excluded.

Latvia will adopt the euro on January 1, 2014. Since the right-wing government took power, all of its efforts have been directed towards fulfilling the Maastricht criteria to become the 18th member of the currency union. Neighbouring Estonia joined the euro zone in 2011. At a conference in Brussels, Finance Minister Andris Vilks spoke of it being an historic event. "We are proceeding because we know how important this goal is," he said. The euro was an important anchor in Europe, especially for small economies, Vilks added.

For the vast majority of Latvians, the introduction of

the euro will mean more social hardship. A recent poll showed that more than half of all Latvians are against the introduction of the euro. In a survey by the market research company SKDS, 53 percent spoke out against the change of currency and only 22 percent in favour.

The introduction will be accompanied with enormous price increases. In Estonia, living costs had risen massively one year after the euro's introduction. Along with an inflation rate of 4.7 percent, wages stagnated or dropped in 2012. As a result, poverty in Latvia's neighbour grew markedly.

In Latvia, 37 percent of the population are considered to be poor or in danger of poverty, according to the EU agency Eurostat. Across Europe, only in Bulgaria and Romania are higher percentages of the population affected by poverty. On top of this, there is the pending bankruptcy of one of the country's last steel firms, which is expected to cost several thousand jobs in a country of just 2 million people.

Along with the introduction of the euro, the government intends to implement tax relief for business in order to attract large-scale direct investment. At the same time, several analysts have warned of dangers and compared Latvia with other "weak" European states such as Cyprus and Slovenia. After Cyprus and Ireland, whose banking systems completely collapsed during the crisis, Latvia already has one of the lowest levels of corporation tax in the EU at 15 percent. The EU average stands at 23.5 percent.

For these reasons, the political elite in the Baltic state wants to install a stable government to enforce further cuts and suppress all opposition. Immediately after Dombrovskis's resignation, President Berzins called on the parties to quickly form a new government.

Unity, the RP and TB/LNNK declared that they were in principle willing to cooperate with the fourth right-wing parliamentary party, the Association of Greens and Farmers. "We have developed a proposal for a broad coalition structure, which incorporates all four right-wing parties and several independent deputies," stated Dombrovskis after a meeting with the Greens. Such a coalition would control more than 60 seats in parliament and would no longer rely on the votes of the opposition.

"The Greens are prepared to join the government," declared their leader, Augusts Brigmanis. His party had made Dombrovskis's resignation a condition for the

formation of a coalition. However, it is likely to prove difficult to agree on a successor. The governing party has already suggested three potential successors, including Defence Minister Artis Pabriks. But none of them achieved the required support from the parties. The TB/LNNK has voted with the opposition in parliament on several occasions in the past to put the government under pressure.

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