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Latvia's Plan to Strengthen Its International Position

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Latvia's foreign policy priorities for this year and the actions of its leaders indicate strengthening the country's security is important, including in the economic dimension. It is intended to make the country a reliable member of NATO and to build a stronger position in the European Union while making it a more visible actor in international relations. However, the effective implementation of these goals may be hindered by upcoming parliamentary elections and problems in its banking sector.

On 25 January 25th this year, Latvian Foreign Minister Edgars Rinkēvičs presented Latvia's foreign policy priorities for 2018, regularly announced since 2011. Previously, the government received only annual reports. Minister Rinkēvičs, from the Unity party, has been in his position for more than seven years, although in his fourth government, currently the coalition of Unity, the Union of Greens and Farmers, and the National Union.

Security. Latvia does not want to be perceived by its partners as a "security consumer." It wants to increase its credibility as a NATO member state. By 2014, Latvia had spent less than 1% of GDP on its defence budget. However, faced with a growing threat from Russia and the uncertainty of U.S. involvement in NATO, it has begun to increase expenditures on defence. Minister Rinkēvičs indicated that Latvia already this year will allocate 2% of GDP on defence, the minimum expected from Alliance members by 2024.

This year's defence spending will amount to €576.3 million, or 28% more than in the previous year. The largest part will be allocated to the expansion and modernisation of infrastructure, the development of an air-defence system, rearmament of the defence force, mainly mechanised units.

Latvia will strive to strengthen its position in Alliance structures by contributing to the development of backup facilities. One is the Riga NATO Strategic Communications Centre of Excellence, founded in 2014, which focuses on the prevention of hybrid threats, in particular propaganda. The centre's latest report demonstrates that Latvia, along with Estonia, is the most exposed to the increase in Russia's aggressive actions in the Baltic Sea region.

At the same time, Latvia supports the increase of NATO capabilities, including strengthening the Alliance's air and naval defences and the Alliance's command forces. Latvia also advocates Permanent Structural Cooperation (PESCO) to improve EU defence. And the country assumes that the proposed European Defence Capabilities Review (CARD) should be consistent with the NATO defence planning process.

Latvia favours increasing the role of international security organisations. It declares it will assist to strengthen the Organisation for Security and Co-operation in Europe (OSCE) and the Council of Europe, as well as the United Nations. It supports reform of the UN Security Council (UNSC) to adapt it to contemporary international realities. It also has announced it will apply for a non-permanent UNSC seat in 2026–2027.

Economic Growth. The European Commission forecast for Latvia in 2018 is for further GDP growth of 3.5% (compared to the EU average of 2.3%). Although this is lower than in 2017 (4.5% against the 2.4% EU

average), Latvia remains among the few most dynamically growing markets in the EU. Nevertheless, the government has announced measures to increase the chances of overcoming the consequences of a possible downturn.

Latvia's limited population (less than 2 million inhabitants) and economic potential (GDP in 2017 amounted to €26.9 billion) will seek to strengthen its economic stability primarily based on EU membership. Considering its experience during the global economic crisis in 2009, when Latvia recorded the highest EU decline in GDP of 18%, the country is a supporter of market discipline (including fiscal) rather than communalisation of financial risk. It will strive to strengthen relations with eurozone countries, especially deeper integration. It also opposes cuts to the EU budget, in part because Latvia is still a beneficiary under EU Regional Policy and the Common Agricultural Policy. It also points out that the next EU budget should prioritise protecting the EU's external borders and does not exclude the need to increase country's own contributions.

At the same time, Latvia is seeking new business partners and foreign investment from outside the EU, including from North America, China, India, Japan, the countries of Southeast Asia and the Persian Gulf. Strengthening contacts with distant partners is already part of the "16+1" cooperation platform for Central European countries with China. Moreover, in February, Latvian Prime Minister Māris Kučinskis met with Japan's Foreign Minister Taro Kono during the Munich Security Conference and announced the signing of an agreement on air transport. Also, in February, in Seoul, President Raimonds Vējonis opened the first Latvian-Korean Business Forum, and Rinkēvičs sought to speed up the process of issuing food certificates for Latvian products.

In addition, Latvia is looking for new opportunities, and a niche that could be used not only to strengthen its economy but also to build its own international brand. Rinkēvičs has indicated the need to improve product quality and develop innovation in Latvia. Prime Minister Kučinskis in January at Davos met with Matt Brittin, Google's director of Europe, Middle East and Africa, with whom he discussed opportunities for cooperation in scientific development.

Prospects. Parliamentary elections in October could end with the ruling coalition losing power. However, this should not affect the country's foreign policy assumptions. Currently, support for the coalition government parties is around 24%. However, by party, Social Democratic Party Harmony, identified with the Russian-speaking minority in Latvia, has the most support, at about 20%.

Even if it wins the most votes in the election, it probably would not be able to form a coalition, as happened in 2011 and 2014. It is more likely that the next government would again be a centre-right coalition but without Unity, which may not even exceed the electoral threshold. However, both the campaign and the election results may have an impact on the pace of implementation of the foreign policy assumptions.

Strengthening the state's international reputation was not served by the recent arrest of the president of the Latvian central bank, Ilmārsa Rimšēvičs. Suspicions of corruption in the banking sector have weakened the credibility of the country. Additionally, reservations about the stability of its banking system led to the closure of ABLV, a commercial bank alleged to have conducted illegal financial transactions.

Conclusions. The priorities presented by Minister Rinkēvičs indicate that Latvia is striving to improve its security by both strengthening its position in NATO and the EU as well as through economic development.

Therefore, on the one hand, it promises increased involvement in the Alliance and, on the other, intensified cooperation with partners from outside Europe to increase the competitiveness of its economy. Although the foreign policy objectives are unlikely to change after the fall elections, the likelihood of a change of government will affect the pace of implementation.

Considering Latvia's priorities and activity, security remains the most important area of cooperation with Poland, including with respect to the threat from Russia, such as combating hybrid measures, strengthening the Alliance's Eastern Flank and the U.S. military presence in the region. A Polish contingent in Latvia as part of NATO's rotational combat group is part of this cooperation. Poland can also count on Latvia's support in the UN, as it is planning to actively engage in reform of the Security Council. In addition, both countries have a similar position on the shape of the next EU budget, with both wishing for subsidies to remain unchanged. At the same time, although Latvia does not support the "multi-speed Europe" idea, as a member of the eurozone it will probably be in favour of deeper economic integration.