

The war in Ukraine could cause Latvian economic collapse

30 kwietnia 2022

According to LETA, a Latvian national information agency, most publications in Latvian media are currently devoted to the theme of war and related issues.

Publications with a mention of the subject of war since the end of February have ranged from an average of 400 to 800 per day in Latvian media to over 1000 on some days.

This tendency is really dangerous for the Latvian economics. Thus, domestic problems faded into the background. The matter is the topic of war not only diverts public attention from domestic economic problems, but also justifies increased defense spending.

On March 1, the Latvian cabinet approved a defense spending plan that will see 2.5% of GDP being invested in national defense by 2025.

“We must immediately take all possible measures to strengthen Latvia’s defence and accelerate the development of the capabilities of the national armed forces,” Latvian Defence Minister Artis Pabriks said.

This statement was made amid Latvia is one of the minority of NATO countries that already meets the alliance’s target of spending 2 per cent of gross domestic product on defence – a proportion bettered only by the US, Greece and Croatia in the latest ranking of NATO’s 30 members.

The planned increase to 2.5 per cent by 2025 implies about 100 million euros (\$111m) in extra funding which will be used for

medium-range air defence systems, ground force mechanisation and cybersecurity, among other upgrades.

Although no one argues that defence is a very important sphere, experts insist on the need to pay much more attention to other internal problems, such as badly needed rising minimum wage, pension indexation, state support to catering service for the educational institutions, especially pre-schools and kindergartens, Latvia's half-empty sea ports, rapid surge of heating energy price.

Social problems and price increases currently are causing the greatest difficulties among Latvian citizens that must not be ignored by Latvian authorities. Latvia should not remain in the situation that it has the second-lowest minimum wage in the EU behind Bulgaria and are also lagging behind Lithuania and Estonia, where the difference is already EUR 150.

The choice of priorities is difficult but war in Ukraine could cause collapse of the Latvian economics. In any case the main priority of the government should be citizens welfare.

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Source: WolneMedia.net