



# Integrated Country Strategy

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**Latvia**

**FOR PUBLIC RELEASE**

Approved: April 12, 2022

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## 1. Chief of Mission Priorities

The United States and Latvia have an enduring alliance rooted in historic ties and shared values that directly advances the security and prosperity of our nations. Since regaining its independence in 1991 after the Soviet occupation, Latvia's progress has been dramatic. Over the past 30 years, Latvia and its neighbors have formed a democratic bulwark against Russia's malign influence. Today, the people of Latvia live freely and securely in an independent nation, with a market economy, and the power to choose their leaders and the direction of the country. Latvia secures these freedoms in large part through its hard-earned membership in NATO and the European Union.

The U.S.-Latvia strategic partnership is founded on a shared understanding of sovereignty, personal liberty, and economic freedom. Our militaries are committed to defend each other under NATO's Article 5, and our soldiers train and conduct missions together. Latvia spends over two percent of GDP on defense and hosts more than 1,250 multinational forces under the Canada-led NATO enhanced Forward Presence (eFP) battle group. Our diplomats strategize together in international fora, advocating for human rights protections and rules-based order and decrying regimes that oppress their people. Our scientists, educators, and civil society leaders connect through exchanges and partnerships. Our business leaders trade with each other and link our economies through investments and new business ideas. Thousands of American citizens, including many of Latvian heritage, reside or do business in Latvia.

We must continue to invest in the relationship and work with Latvia to face regional and global challenges that could undermine our mutual stability and security. Like the United States, Latvia has been a leader in defending Ukraine's right to exist as a sovereign, democratic country. Latvia, in cooperation with NATO partners and the United States, quickly provided security assistance to Ukraine. In tandem with the United States and the EU, it rapidly implemented sanctions against Russia and Russians who aid and enable the war. And the Latvian people have stepped forward to welcome Ukrainian refugees into their homes and communities.

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As our united response to the Russian war in Ukraine demonstrates, alliances and partnerships like ours are key to protecting democracy worldwide. Together, we must counter the threats posed by countries such as the Russian Federation and the People's Republic of China (PRC); hybrid attacks; corruption; disinformation; climate change; global pandemics; and social divisions. The strength of our alliance is sustained by investment in our shared defense, as well as programs and policies that reinforce sovereignty, political stability, and economic growth. Our first priority is the health and well-being of American citizens present in Latvia. In addition, we have identified four mission goals to ensure that Latvia remains a close ally and reliable partner on collective security and international policy issues – as well as a growing economic partner. Our goals are:

1. Latvia continues to align itself with U.S. security objectives and is an effective NATO ally that contributes to regional and global security.
2. Latvia strengthens its sovereignty by addressing vulnerabilities to malign influence.
3. Latvia effectively addresses corruption issues and continues to improve its business climate to encourage expanded trade with – and investment ties to – the United States.
4. Latvia contributes to addressing global and regional challenges.

To achieve these outcomes, it is critical that Mission Riga has the human and financial resources outlined in the management objectives.

## 2. Mission Strategic Framework

**Mission Goal 1:** Latvia strengthens its sovereignty by addressing its vulnerabilities to malign influence.

- **Mission Objective 1.1:** Latvia exercises effective oversight of its banking sector to include banking sector reforms, increased transparency, and adherence to international standards.
- **Mission Objective 1.2:** Latvia prioritizes and implements anti-corruption, anti-money laundering, judicial, and rule of law reforms while adhering to principles of due process and equal justice before the law.
- **Mission Objective 1.3:** Latvian citizens access credible, independent news sources and resist disinformation narratives.
- **Mission Objective 1.4:** Latvian society is open and inclusive, including for minority groups.

**Mission Goal 2:** Latvia is an effective NATO ally that contributes to regional and global security and prevents Russian provocations and malign activity.

- **Mission Objective 2.1:** Latvia enhances infrastructure, capacity, readiness, and resilience to counter hybrid threats and deter Russian aggression.
- **Mission Objective 2.2:** Informed by the NATO Capability Targets, Latvia invests in national defense to gain interoperability with allies and to set conditions for flexible deterrent and response options.

**Mission Goal 3:** The Latvian economy is resilient to malign economic influence and an improved business climate supports expanded trade and investment ties to the United States.

- **Mission Objective 3.1:** Latvia enjoys sustainable, shared economic growth that enhances its national security and stability and significantly reduces income inequality and emigration.
- **Mission Objective 3.2:** Latvian-U.S. bilateral trade and investment increases across a range of sectors.

**Mission Goal 4:** Latvia addresses global and regional threats and challenges.

- **Mission Objective 4.1:** Latvia is a leader in international fora and multilateral organizations and is committed to protecting those institutions from malign influence.
- **Mission Objective 4.2:** Increased integration and information sharing with Latvian partners ensures secure borders and legitimate travel and the protection of American Citizens who are living, traveling and working in Latvia.

**Management Objective 1:** Enhance the work environment to continually retain a professional and productive workforce that draws from the full diversity of the United States and Latvia.

**Management Objective 2:** Provide a safe and secure platform for Mission Latvia to maintain operational effectiveness and efficiencies in support of policy priorities.

### 3. Mission Goals and Objectives

**Mission Goal 1** | Latvia strengthens its sovereignty by addressing its vulnerabilities to malign influence.

**Description** | The 2021 draft EUR Joint Regional Strategy states that European sovereignty and the Transatlantic alliance depend on resilience to malign external influence and disinformation, the prevention and exposure of corruption through transparency and accountability, enhanced social inclusion, and greater adherence to rule of law.

**Objective 1.1** | Latvia exercises effective oversight of its banking sector to include banking sector reforms, increased transparency, and adherence to international standards.

- **Justification** | Latvia's financial sector policy of becoming "a bridge" between the East and West flooded the country with illicit funds destined for safe havens throughout the EU. That policy weakened anti-money laundering and countering terrorist financing (AML/CFT) supervision, contributed to income inequality, led to the creation of numerous high-risk banks, generated pernicious foreign influence, funded terrorism, and placed the U.S. financial system at greater risk. The Karins government's legislative and regulatory reforms have helped combat illicit finance and are largely credited with sparing Latvia the Financial Action Task Force (FATF)'s grey-list in February 2020.

Embassy Riga added a new Department for the Treasury Office of Technical Assistance Financial Crimes Advisor in 2020 to assist government reforms efforts. This technical assistance has helped reduce Latvia's exposure to high-risk foreign deposits. Latvia still needs to improve interagency coordination to combat illicit finance and sanctions evasion; strengthen regulatory institutions; consolidate Latvia's private banking sector; enforce AML laws; and deepen joint AML actions with its Baltic neighbors as it seeks to become a regional AML leader.

- **Linkages** | The 2021 draft EUR Joint Regional Strategy states that European sovereignty and the Transatlantic alliance depend on resilience to malign external influence and

greater adherence to rule of law. Strengthening enforcement of AML and CFT laws will protect Latvia and the U.S.-Latvia alliance from foreign malign influence.

- **Risks** | Targeted foreign assistance to support the anti-money laundering activities in Latvia is provided on a yearly basis. Longer-term or multi-year funding would better enable the Embassy to plan and measure the effectiveness of assistance activities while ensuring the continuity of staff and resources. The Karin government has led legislative and regulatory reforms to combat illicit finance, but a change in government leadership could undermine recent reforms.

**Objective 1.2** | Latvia prioritizes and implements anti-corruption, anti-money laundering, judicial, and rule of law reforms while adhering to principles of due process and equal justice before the law.

- **Justification** | The Government of Latvia should continue to support anti-corruption efforts to counter malign influence, improve the ease of doing business, strengthen the rule of law, promote strong institutions and government accountability, reduce impunity, and improve private sector and civil society engagement. To effectively implement such reforms, Latvia must enhance the efficient, transparent, and evenhanded administration of justice; strengthen public-private partnerships; enact lobbying and conflicts of interest legislation; and ensure that law enforcement, prosecutors, and judges are adequately trained and equipped to proactively detect, investigate, prosecute, and adjudicate complex cases of financial crime, corruption, and transnational crime. Strengthening civil society capacity and public awareness of the costs of corruption will also help drive change.
- **Linkages** | The Biden-Harris Administration established the fight against corruption as a core U.S. national security interest in NSSM-1. The U.S. Strategy on Countering Corruption further establishes priority pillars, strategic objectives, and lines of action across the USG. In addition, the 2021 draft EUR Joint Regional Strategy states that European sovereignty and the Transatlantic alliance depend on greater adherence to rule of law.



- **Risks** | Targeted foreign assistance to support the rule of law and anti-corruption reform in Latvia is provided on a yearly basis. Longer-term or multi-year funding would better enable the Embassy to plan and measure the effectiveness of assistance activities while ensuring the continuity of staff and resources.

**Objective 1.3** | Latvian citizens access credible, independent news sources and resist disinformation narratives.

- **Justification** | Latvia is vulnerable to the threat of disinformation and malign influence from Russia and other sources due to relatively low levels of trust in the media and gaps in media literacy. Moreover, 37 percent of the population speaks Russian as its first language, and many of these Russian speakers consume significant news content from Russian Federation media, which is filled with hostile narratives about the United States, Latvia, NATO, and the Transatlantic Alliance. The Latvian government and Latvian media NGOs are aware of the threat posed by disinformation, but credible, independent news outlets lack the resources and expertise to sustain or grow their audiences in a competitive information environment, and long-term historic and political issues related to language limit the government's ability to support Russian-language content. Finally, the Latvian government has made some progress towards greater media literacy education, but significant gaps remain. Support for credible, independent media outlets, as well as media literacy programs and English language instruction focused on Russian-speaking areas, will mitigate the threat from disinformation.
- **Linkages** | The 2021 draft EUR Joint Regional Strategy states that European sovereignty and the Transatlantic alliance depend on resilience to malign external influence and disinformation.
- **Risks** | A large portion of Russian-speaking Latvian citizens and residents will continue to be influenced by Russian media and have negative views of the United States and NATO. In addition, nationalist political leaders will continue to block efforts to deploy credible Russian-language media content in Latvia, pushing Russian speakers to consume more

media from the Russian Federation. The Embassy will mitigate these risks by building partnerships with local, Latvian-origin Russian-language media.

**Objective 1.4** | Latvian society is open and inclusive, including for minority groups.

- **Justification** | Despite significant progress in many areas and membership in the EU and NATO, Latvia faces a number of divisive social and economic issues that hinder security and stability and render the country vulnerable to malign influence by corrupt and/or foreign actors. Long-term divisions between ethnic majority Latvians and the country's significant Russian-speaking minority and the government's ongoing efforts to promote the Latvian language create fractious political coalitions and deep-rooted mistrust of institutions. Kremlin-directed disinformation narratives frequently fuel this mistrust and seek to further divide society. In addition, Russia-backed actors and domestic nationalist elements increase societal polarization by exploiting income inequality and social divisions over the pandemic response, women's rights, LGBTQI+ rights, minorities, and migrants. Latvia's civil society sector could play a more significant role in addressing these issues, but it is relatively weak and underfunded. Research shows decreasing levels of voter participation and increasing levels of public apathy. Increased attention to these issues by Latvia's government, civil society, and allies, as well as support and funding for social inclusion programs and better capacity for civil society, will reduce the vulnerability.
- **Linkages** | The 2021 draft EUR Joint Regional Strategy states that European sovereignty and the Transatlantic alliance depend on resilience to malign external influence and enhanced social inclusion.
- **Risks** | Public perceptions that the government has not effectively addressed corruption and the COVID-19 pandemic have contributed to public apathy and distrust of institutions. Nationalist elements in Latvia will increase societal polarization and tension by exploiting income inequality and social divisions over the pandemic response, women's rights, LGBTQI+ rights, minorities, and migrants. Subsequently, significant segments of Latvian society are indifferent to – or hostile to – integration of minorities

and immigrants, gender equality, LGBTQI+ equality, and disability rights. Integrating Latvia's Russian-speaking minority will remain a fault line in society. The Embassy will mitigate these risks by partnering with local organizations that have credibility with local populations to implement activities that foster inclusivity. The Embassy will also mitigate these risks by supporting the Latvian government's efforts to address corruption, the pandemic, and social divisions.

**Mission Goal 2 |** Latvia is an effective NATO ally that contributes to regional and global security and prevents Russian provocations and malign activity.

**Description |** The 2021 draft National Security Strategy (NSS) states that the United States will reinvigorate and revitalize alliances and partnerships around the world, including reaffirming and investing in NATO. The 2021 draft EUR Joint Regional Strategy states that the United States will assure NATO allies of our commitment to Article 5, improve capabilities, bolster interoperability, and increase our joint focus on hybrid threats.

**Objective 2.1 |** Latvia enhances infrastructure, capacity, readiness, and resilience to counter hybrid threats and deter Russian aggression.

- **Justification |** Latvia's status as a NATO front-line state has taken on greater importance in the current geopolitical environment, and Latvian leaders have consistently expressed concern about Russia's intensifying threat of "hybrid warfare" in the Baltic states – which includes border and air space incursions, and cyber attacks.

Having observed Russia's military incursion into eastern Ukraine, Russia's current military build-up around Ukraine and in Belarus, and the irregular migration at Latvia's border with Belarus, Latvian officials have grown increasingly concerned about deficiencies in their own border security. Latvia has identified significant needs for improved equipment and training. Latvia's cyber security posture has also been tested, and its cyber defense capabilities are in need of additional investment, training, and international collaboration. Plans to develop intergovernmental cyber defense

capabilities is a new priority that seeks to strengthen Latvia's comprehensive defense and societal resilience and the MOD has proposed creating a National Cyber Security Center.

U.S. goals include countering Russian influence and strengthening alliances and partnerships. Continued realization of NATO capability targets will increase deterrence and communicate clearly to Russia that Latvia's territorial sovereignty will be defended by the Alliance.

- **Linkages** | The 2021 draft EUR Joint Regional Strategy states that the United States will assure NATO allies of our commitment to improve capabilities, bolster interoperability, and increase our joint focus on hybrid threats.
- **Risks** | The Latvian government realizes the importance of enhancing infrastructure and capacity, but Latvian public opinion is divided on the benefits of NATO. The Embassy will mitigate this with a long-term public diplomacy strategy that demonstrates that NATO delivers results for Latvians.

**Objective 2.2** | Informed by the NATO Capability Targets, Latvia invests in national defense to gain interoperability with allies and to set conditions for flexible deterrent and response options.

- **Justification** | Russia's military build-up on the Ukrainian border and the Lukashenka regime's attempts to destabilize NATO/EU border states through weaponized migration have galvanized Latvian political support to increase defense spending. Baltic geography and the asymmetry between NATO and Russian capabilities in the region dictate that a credible deterrent threat must be built on organic capabilities that already exist in the region at the outset of a crisis. Thus Latvian fundamental defensive capabilities should be focused on identification of indicators and warnings of a developing Russian threat across the entire spectrum of conflict, including cyber, hybrid, and information operations based threats and the defense of these threats. Latvian forces contribute to NATO activities in the Baltics and abroad and therefore their conventional forces must improve their abilities to conduct military operations across

the spectrum of conflict in order to meet NATO capabilities targets, and be capable of supporting civilian authorities in response to natural or manmade crises.

- **Linkages** | The 2021 draft EUR Joint Regional Strategy states that the United States will assure NATO allies of our commitment to improve capabilities, bolster interoperability, and increase our joint focus on hybrid threats.
- **Risks** | Latvian military assets are relatively small in scale, requiring a regional approach and the integration of neighboring and NATO contributing nations' military forces to achieve a credible deterrent posture.

**Mission Goal 3** | The Latvian economy is resilient to malign economic influence and an improved business climate supports expanded trade and investment ties to the United States.

**Description** | Mission Goal 3 supports the 2021 EUR draft Joint Regional Strategy goal of promoting deeper trade, investment, and energy cooperation. The EUR JRS objectives also include developing resilience to coercive economic practices, creating a Transatlantic digital economy, and increasing energy security.

**Objective 3.1** | Latvia enjoys sustainable, shared economic growth that enhances its national security and stability and significantly reduces income inequality and emigration.

- **Justification** | Latvia's economic development is hampered by a slow judicial system, economic emigration, a lack of skilled workers, and a widespread perception of corruption in both the public and private sectors. Latvia is the ninth-poorest EU country and has lost one-fifth of its population, mostly to emigration, since 2001. Latvia's shadow economy is larger than its Baltic neighbors and increased to about 25 percent of GDP in 2020. Latvia's spending on research and development relative to GDP is the third lowest among EU member states. To boost economic growth and retain skilled workers, the government must develop a national strategy which includes supporting entrepreneurship and innovation.

Income inequality is high in Latvia compared to other OECD countries. Additionally, Latvia has high levels of long-term structural unemployment, particularly in parts of eastern Latvia. The unemployment rate in this area can be significantly higher than in Riga. In 2020, the unemployment rate in Riga 7.2 percent, while it was 12.4 percent in Latgale, Latvia's eastern most region.

Latvia has one of the highest energy dependency rates in the EU, importing most natural gas from Russia. Latvia depends on Russia for the stability of its electricity grid and power system under the BRELL (Belarus, Russia, Estonia, Latvia, Lithuania) agreement, dating to the Soviet Union. Latvia and the other Baltic State are scheduled to leave the BRELL and synchronize their electricity grids with the continental Europe network by 2025. Given this potential vulnerability, the government views regional energy security and diversification efforts as top strategic priorities. Latvia's key asset is its underground gas storage facility in Incukalna. Latvia has eagerly supported a range of EU co-financed energy projects to help diversify regional energy supplies, and it views the Gas Interconnector Poland-Lithuania (GIPL) pipeline and desynchronization from Russia's electrical grid as priority projects.

- **Linkages** | The EUR JRS objectives include developing resilience to coercive economic practices, creating a Transatlantic digital economy, and increasing energy security.
- **Risks** | While Latvia's economic ties with Russian receive the most attention, economic links with the PRC can be overlooked. The Embassy will mitigate this with a PRC influence working group.

**Objective 3.2** | Latvian-U.S. bilateral trade and investment increases across a range of sectors.

- **Justification** | The Bank of Latvia forecasted 2022 GDP growth at 5.1 percent, but several challenges cloud Latvia's economic future. The average net wage in Latvia is about 47 percent of the EU average and Latvia's shadow economy is about 25 percent of GDP. About 23 percent of Latvians are at risk of poverty.

Russia is the predominant source of Latvia's energy imports, and the Latvian transport sector depends significantly on linkages to Russia. In its pivot to European markets,

Latvia faces the challenge of developing a dynamic trade strategy within the European Union and the United States.

- **Linkages** | Objective 3.2 supports the 2021 EUR draft Joint Regional Strategy goal of promoting deeper trade and investment between allies.
- **Risks** | Latvian-U.S. bilateral trade will remain modest because of the size of Latvia's economy. The U.S. will mitigate this risk by encouraging Latvia to improve its business climate and to attract foreign direct investment.

#### **Mission Goal 4** | Latvia addresses global and regional threats and challenges.

**Description** | Mission Goal 4 supports the 2021 EUR Joint Regional Strategy goal of leveraging alliances and partnerships to address global and regional threats and challenges, including climate change, future pandemics, and territorial disagreements. The interim NSS calls for an open international system, underwritten by a rules-based order. The NSS also states that the United States will be a leader in international institutions, working with partners to address global challenges such as climate change, global health, and peace and security.

**Objective 4.1** | Latvia is a leader in international fora and multilateral organizations and promotes collaboration on regional and global challenges.

- **Justification** | Latvia has long championed acceleration of the EU's negotiations with Moldova and Georgia to conclude Association Agreements and was the first EU state to ratify the Association Agreement with Ukraine. Latvia sees itself as a mentor to former Soviet republics on their paths to democracy and free market economies. Latvia also has credibility and reach in Eastern Partnership (EaP) countries that the United States does not always enjoy.

Latvia will stand as a candidate in the 2025 elections to become a non-permanent member of the UN Security Council in 2026-2027. If successful, this would be the first time that Latvia would serve on the UN Security Council and will provide it platform for increased engagement on critical global challenges.

- **Linkages** | The interim NSS calls for an open international system, underwritten by a rules-based order.
- **Risks** | Tensions between Russia and Latvia will persist and may increase, in part because of Latvia's participation and leadership in international fora. The Embassy will mitigate this risk by supporting Latvia's resiliency to external malign influence.

**Objective 4.2** | Increased integration and information sharing with Latvian partners ensures secure borders enables legitimate travel and assures the protection of American Citizens who are living, traveling, and working in Latvia.

- **Justification** | The protection of American Citizens overseas is of the utmost importance to every U.S. Embassy. As we have learned through the global challenges of the past few years, we succeed best at this goal when we have strong partnerships not only with our host nation and our Latvian partners, but also regionally and internationally. Increasing partnerships also help us to fight fraud and abuse of the visa process and ensure the continuation of legitimate travel, which strengthens the economy and partnership of both countries.
- **Linkages** | Protecting U.S. Citizens and their interests is the crux of the NSS
- **Risks** | While Latvian partners are eager to share information with the Embassy, the number of American citizens and dual citizens in country is likely undercounted. The Embassy will mitigate this by increasing outreach to U.S. Citizens.



## 4. Management Objectives

**Management Objective 1** | Enhance the work environment to continually retain a professional and productive workforce that draws from the full diversity of the United States and Latvia.

- **Justification** | Riga's Locally Employed (LE) Staff salaries have been set to the 85th percent of the Target Market Percentile by GTM/Overseas Employment since 2018. This has provided a great relief to the Embassy's ability to retain and attract staff from 2019 to 2021.

But recent price hikes in electricity and natural gas have permeated to costs increases all other aspects on the costs of living for our LE Staff. Embassy will again be monitoring the attrition and recruitment rates for Embassy personnel.

- **Linkages** | Management Objective 1 will support Mission Goals, EUR Joint Regional Strategy goals, and interim National Security Strategy goals.
- **Risks** | The addition of 13 U.S. Direct Hire (USDH) positions in 2017-2021 has increased workloads for ICASS LES, but ICASS base funding levels have yet to allow for extra staff positions. The Embassy has looked at alternate solutions and gained efficiencies in lieu of waiting for new staffing.

**Management Objective 2** | Provide a safe and secure platform for Mission Latvia to maintain operational effectiveness and efficiencies in support of policy priorities.

- **Justification** | Mission Latvia has been working with telework and leave flexibilities as allowed under the COVID-19 mitigation measures from the State Department and local government measures. As these measures end and we shift to a post-pandemic work environment, Embassy will adjust to incorporate greater workplace flexibilities as permitted by the State Department.

The Embassy has taken a holistic approach and worked closely with OBO to create a realistic office design plan. This design plan will be implemented in order to create the additional work spaces needed to grow the ICASS platform and accommodate for growing programmatic needs.

- **Linkages** | Management Objective 2 will support Mission Goals, EUR Joint Regional Strategy goals, and interim National Security Strategy goals.
- **Risks** | The addition of 13 U.S. Direct Hire (USDH) positions in 2017-2021 has increased crowding in the chancery, making social distancing and Facilities/GSO operations more challenging. The Embassy is devising telework policies and new layouts to mitigate this risk.