

**European
Elections monitor**

from **Corinne Deloy**
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ANALYSIS

1 month before
the poll

General Elections in Latvia, 2nd October 2010

On 2nd October next i.e. the first Saturday in October, as stipulated by the country's Constitution, Latvians will be called to ballot to renew the 100 members of the Saeima, the only Chamber in Parliament. 64 polling stations will be open in 24 countries which is particularly interesting for three main reasons. Firstly because the election is taking place at a difficult yet vital time for the Baltic Republic which was the EU Member State most affected by the international economic crisis and where the government recovery programme is probably one of the most courageous. Secondly because in this State, which is home to 2.3 million inhabitants, these elections are the first in which people born after independence (21st August 1991) will be taking part. Finally the Latvian political scene has shifted somewhat. The main political parties, numerous and unstable, have rallied together within five coalitions for these general elections which may help to clinch their position and offer them greater room to manoeuvre. President of the Republic, Valdis Zalters, indicated that he would like the next government to succeed in holding office for the next four years. He quoted as an example Estonia where Andrus Ansip (Reform Party RE) has been Prime Minister for many years now and has helped toward the stability of his government which explains why the country is healthier from an economic point of view.

1,239 people (of whom 72% are men and 28% women) are registered on 13 lists as candidates in the general elections on 2nd October next i.e. the lowest number of lists ever recorded in this type of election in Latvia. The regrouping of the political parties within electoral blocs explains this situation. 87% of the outgoing MPs are standing for election again.

Exit from the crisis?

For many years Latvia experienced exceptional growth in its GDP thanks to high domestic consumption, an effervescent property market and an easy credit policy (Scandinavian banks notably lent a great deal – in €- to the Latvians). This country which had the most dynamic economy in Europe was seriously affected by the economic crisis in 2008. Whilst the GDP grew by 12.2% in 2006 and by 10.2% in 2007 it contracted by 18% in 2009. Unemployment which totalled 4.8% in April 2008 rose to around 15%; inflation that lay at 9.8% in 2008 has dropped dramatically (- 2.8% in

April 2010). At the end of 2008 the Latvian economy had returned to its 2005 level. Latvia, nicknamed until recently «*the Baltic Tiger*», was only saved from bankruptcy in December 2008 by loans of 5.27 billion lats (7.05 billion €) granted to it by the International Monetary Fund (1.3 billion €) and the European Union (3.1 billion €). The country received 1.4 billion \$ from the Nordic countries, 400 million € from the World Bank and 500 million € from the European Bank for Reconstruction and Development (EBRD). The conditions for this aid: firm commitment on the part of the government to settle the budgetary deficit and to stabilise the banking sector. Indeed the government has implemented an unprecedented austerity policy and in many respects it has been exemplary. In 2010 the budgetary deficit should be below the ceiling set by the IMF (7% for 8.5%).

Mark Allen, the IMF representative in Central and Eastern Europe, recalled that Latvia absolutely had to en-

sure that its salaries did not grow faster than its productivity, that entrepreneurship was not over taxed, that prices did not rise faster than abroad and that its public finances remained under control. «*We are extremely impressed by what has been done by the present government and we do not want to see this work reduced to nothing by another political party,*» he declared. Fiscal reform is still necessary in Latvia to prevent any increase in the public and also the country's debt.

The economic crisis accentuated the political crisis that had been latent for several months. In October 2006 the outgoing coalition, formed by the People's Party (TP), led by outgoing Prime Minister Aigars Kalvitis was re-elected to power – a first in Latvian history. In December 2007 Ivar Godmanis (Latvia's First-Latvian Way, LPP-LC) replaced him as head of government. Then he proposed, in vain, that the rightwing join his government. In the face of the economic crisis that has struck the country he chose not to devalue the national currency and implemented an austerity policy (decrease in wages and public spending). At the end of 2008 and the beginning of 2009 Riga was shaken by demonstrations by workers and farmers who criticised the incompetence of the politicians accused of having allowed the country to sink into a state of crisis. On 13th January 2009 the crowd threw stones at police cars as well as against the facade of the Parliament and the Finance Ministry. The Prime Minister was forced to resign on 20th February 2009 when two members of the coalition decided to withdraw their support. On 12th March 2009 Valdis Dombrovskis (New Era, JL) became Prime Minister. He stepped up the austerity policy that had been implemented by his predecessor. He undertook severe budgetary cuts, diminished pensions by 10% and civil servants' wages by 35%. He reduced the number of civil servants: in October 2009 there were 12,700 civil servants less than at the end of 2008. Six months after he took office he increased taxes: +3 points for income tax and +3 points on VAT which now lies at 21%. In March 2010 the People's Party chose to leave the government after failing to rally three other parties in the government coalition (New Era, Pro Patria Union and Freedom, TB/LNNK, and the Green and Farmers Union, ZZS) to its proposals to freeze tax increases. Valdis Dombrovskis is therefore at the head

of a minority government (rallying only 44 of the 100 seats in Parliament). Although the economic crisis has made government difficult the Prime Minister is still the most respected politician in the country.

The permanent Latvian/Russian Rift

Latvia has the biggest Russian speaking minority of the three Baltic Republics. These are Russians who have been established since the Soviet times and who do not want to return to Russia where living and working conditions have not benefited from accession to the European Union and modernisation. According to official figures dating back to July 2004 the so-called «*original*» Latvians represent 58.7% of the population and the «*Russians*», 28.8%. Latvian is the mother tongue of 58.2% of the population, Russian 37.5%. The Russian speaking minority forms the majority in seven of the eight biggest town including Riga. This division of the population has been exacerbated, mostly from abroad, so that it is now a political stake in Latvia.

Hence 400,000 people, i.e. 17.3% of the population (figures provided by the Director of the Central Electoral Commission of Latvia, Arnis Cimdars), mostly Russian mother tongue do not have Latvian nationality but since they are not inhabitants from another country they have no nationality and most have a «*non-Latvian citizen's*» passport. This status gives them the right to live in the country and access to social services. The «*non-citizens*» are not however allowed to vote in either national or local elections nor can they work in the police force or the army. They have to have a visa to travel to some countries.

During independence on 21st August 1991 only the country's inhabitants who were Latvian citizens before the Second World War (and their descendants) had the automatic right to acquire the Latvian nationality. Many people who had left the country or emigrated from the Soviet Union found themselves without a nationality. In 1994, a first law enabled them to request the Latvian nationality by naturalisation. In 1998 another law facilitated access to citizenship. To obtain Latvian nationality certain conditions have to be fulfilled: it is obligatory to have lived in the country for a minimum of 5 years, speak Latvian and know the history, the culture and the country's Constitution. Finally new citizens have to

swear an oath and renounce their previous nationality. In 2008 Russian President Dmitri Medvedev signed a decree which simplifies visa requests for former Soviet citizens living in Latvia and Estonia, a measure that was the source of great criticism on the part of the two Baltic Republics and reveals the dangerous game played by Russia in the face of this sensitive issue that was a result of the Soviet occupation.

The professor of economy at the Stockholm School of Economics in Riga, Vyacheslav Dombrovski, is highly critical of the way the situation was managed after independence. «*Either they banned the Russians from voting or they guaranteed the right to vote to all without any restrictions. They chose the middle path but today they have the ethnic vote,*» he analyses. «*The Russians are dissatisfied because they do not have the same rights as the Latvians so they vote 'Russian'. The Latvians for their part are not happy because the Russians who live in the country do not learn Latvian and so they vote «Latvian»,*» he adds. In addition to this the Latvian political parties increasingly distinguish themselves according to a specific ethnic group and the left-right split is often reduced in the face of this.

The «*Latvian*» parties support a market economy and European integration. The differences lie mainly in the stakes they choose to highlight. «*'Escaping Communism'*» is the Latvian slogan which scares all of those on the left. It is a deep seated feeling that goes back many generations. The left is seen as being close to the past, to the Soviet Union and all of the terrible things that occurred during the time of the USSR,» says Aigars Freimanis, Director of the opinion institute Latvijas Fakti. Social democratic values have been on the rise since the recent international economic crisis. Parliament approved a law on the Latvian language which obliges the media to broadcast 65% of their programmes in Latvian (and at least 40% between 6am and 11pm in the evening). The government set the goal for all of the country's population to speak Latvian fluently by 2030.

The Latvian Political System

The 100 members of the Saeima are elected for 4 years (since 1998) by proportional voting according to

the Sainte Lagüe method. All political parties have to win at least 5% of the vote in order to be represented in Parliament. In general elections Latvia is divided into five electoral districts: Riga, Vidzeme, Latgale, Zemgale and Kurzeme.

The number of seats in each constituency is set by the Central Electoral Commission four months before the vote according to the numbers registered on the electoral roll. The candidates standing in the election have to be at least 21 years old. Since 2009 people who worked as technicians in the former Soviet security services are allowed to stand. In addition to this multiple candidatures are now prohibited: any one person can stand in one constituency only.

7 political parties are represented in the Saeima at present:

- The People's Party (TP), at present in the opposition is a centre-right party; it was founded in 1998 by businessman and former Prime Minister Atis Slakteris (1995-1997 and 1999-2000), he is still the party's leader and has 23 seats;
 - The Greens and Farmers' Union (ZZS), is chaired by Augusts Brigmanis and rallies the Latvian Farmers Union and the Green Party; it has 18 MPs;
 - New Era (JL), is the party of outgoing Prime Minister Valdis Dombrovskis; it lies to the right of the political scale and has 18 seats;
 - the Harmony Centre (SC), a Russian speaking party is the successor to the Communist Party of the Socialist Soviet Republic of Latvia and is led by former journalist of the First Baltic Channel and present mayor of Riga, Nils Usakovs, 17 seats.
 - - The Latvia's First-Latvian Way (LPP-LC) led since November 2009 by Ainars Slesers, sits on the opposition bench with 10 MPs;
 - the Pro-Patria Union and Freedom (TB/LNNK), a nationalist, liberal party led by Robert Zile has 8 seats;
- For Human Rights in a United Latvia (PVTCL) is a party that lies to the left of the political scale; it is a defender of the Russian speaking minority jointly led by MEP Tatiana Zdanoka and Jakovs Pliners, with 6 MPs;

The Latvian Parliament has adopted a law that introduced the funding of political parties by the State. Any party that wins at least 2% of the vote cast during the

general elections will receive 0.5 lats (0.71 €) per vote each year. Harmony Centre (SC) was the only party to vote against this law declaring that it «*was cynical and amoral to accept a measure such as this whilst people are dying of hunger.*» Latvia is the only EU country not to have any legislation on the subsidies granted to political parties. As a result parties are heavily dependent on the oligarchs and even funding from abroad and this is one of the most serious problems facing the country. The heads of companies were rapidly integrated into political movements and parties which were created when communism collapsed and independence was won back. They have always been present in number in institutions thereby preventing the political system from being autonomous (parties are not considered public institutions) and also preventing the emergence of a true civil society.

A reorganised political arena

5 major political forces will be competing on 2nd October next.

On 6th March last New Era led by Solvita Aboltina, the Civic Union, a party comprising members of New Era which left the party two years ago and independent politicians chaired by Girts Valdis Kristovskis, councillor in Riga and the Society for Other Politics (SCP) led by Aigars Stokenbergs formed «*Unity*» (Vienotoba).

On 5th February last the National Harmony Party, the New Centre and the Social Democratic Party formed the «*Harmony Centre Alliance*».

On 26th April the People's Party, Latvia's First-Latvian Way, for a Better Latvia led by the Director of the TV channel LNT, Andrejs Ekis and three regional parties (including the People of Latgale, LT, United Rezekne, VR and For the District of Ogre, ON) came together within the movement called «*For a Good Latvia*».

On 28th May Unity refused to integrate within its fold the Pro-Patria Union and Freedom and the far right party All for Latvia (VL) led by Ratvis Dzintars; so the two parties then united in an alliance «*National Union*».

Apart from these 4 coalitions there is also «*the Greens and Farmers' Union*» chaired by Augusts Brigmanis that rallies the Union of Latvian Farmers and the Green Party which was also joined by the Party for Latvia and Ventspils in June.

Unity

The founders of Unity want to consolidate Latvian political and social forces based on common values and a harmonised organisation. They want to create a new political culture and build a «*Fair, European Latvia*».

According to outgoing Prime Minister Valdis Dombrovskis the country is facing two major problems: low competitiveness of its companies and their inability to export. «*Unity*» is fighting for a reform of the public sector and taxation. The head of government wants to reduce public spending, limit the budgetary deficit and increase taxation to meet the demands of its creditors (notably the IMF and the EU). «*Some of the reduction in spending will be covered by economic growth and a similar increase in taxation,*» he said. Valdis Dombrovskis declared that he would not undertake any wage cuts in the civil service. He indicated that he was planning, after the approval of the 2011 budget, to sell the State's shares in the Citadele bank to increase the country's revenues.

Sandra Kalniete, MEP, an historic figure of the country's independence, the first Latvian European commissioner and former Foreign Minister and one of the most respected personalities in Latvia wants to make Unity a political force that represents the majority of society, the middle class, those who work and patriots. «*I think that Latvia needs political stability and governments that stay in office, which means bigger parties and unions and clearer, stronger coalitions ; as a result we have to agree with our rivals in the political arena over the fact that after the general elections the party that won the greatest number of votes must be the one to form the government,*» she declared. Her party, Civic Union proposes a modification of the electoral system which would imply an increase in the number of constituencies and the possibility for mayors and the President of the Republic to be elected by direct universal suffrage. At present the Head of State in Latvia is appointed by Parliament.

The Chairman of Civic Union, Girts Valdis Kristovskis will lead the Unity list in Riga; outgoing Prime Minister Valdis Dombrovskis will lead in Vidzeme; the leader of New Era Solvita Aboltina will lead the list in Kurzeme; Sarmite Elerte, former editor in chief of the daily Diena

and chair of the Meierovics Society for progressive reform will lead in Zemgale and Aleksejs Loskutovs, former head of the anti-corruption service and member of the Society for another type of Politics will lead in Latgale. Solvita Aboltina declared that her party supported the commitment of personalities from civil society which she sees as *«the means to increase public confidence in the parties and the political system.»*

Unity will have to face two problems very soon: the bloc includes many parties which may prove difficult to manage; it cut itself off from the Harmony Centre and also from the movement For a Good Latvia and therefore cannot envisage a post-electoral alliance with either of these two blocs.

Outgoing Prime Minister Valdis Dombrovskis said that he wanted to cooperate with the Harmony Centre but the right wing of New Era refused to even consider this. Since the victory of Harmony Centre in the last local elections on 7th June 2009 the leader of Civic Union, Girts Valdis Kristovskis has modified considerably his position with regard to the leftwing party. *«We shall see what we can learn from the Riga administration over the next few years,»* he said. The Civic Union demands however that Harmony Centre changes its position with regard to Latvia's recent history. *«They have to show greater flexibility and emerge from the present position which draws up a positive picture of the country's occupation. It is vital for me. Half of my family was killed or deported during the first year of the Soviet occupation,»* he declared.

For a Good Latvia

Andris Skele, leader of the People's Party said he wanted For a Good Latvia to rally talented workers to the spirit of enterprise for them to build a better political, economic and cultural environment. *«By rallying the best minds in the country we can bring about change. It is our duty to make all the necessary effort so that in three years time the crisis is just a bad memory,»* he said. He said that the People's Party had given up its arrogant attitude which it had adopted at few years ago. Many analysts see a union of interest in the alliance between the People's Party and Latvia's First and Latvian Way: Ainars Slesers whose party is powerful in Riga needs the votes of the small towns and rural areas

and Andris Skele whose party is struggling in the polls wants to maintain his party's hold.

For a Good Latvia presented a list of its 115 candidates comprising 90 men and 25 women. Ainars Slesers will lead the list in Riga; Rita Strode, Deputy Mayor of Daugavpils, will lead in Latgale; former Prime Minister (1995-1997 and 1999-2000) Andris Skele will lead the list in Zemgale; Ainars Bastiks will lead in Kurzeme and former President of the Republic (1993-1999) Gundis Ulmanis, will lead in Vidzeme. The former Head of State is therefore making a come-back into the political arena. *«I continue to do what I always did but more intensely. I do not want to limit myself to comments, criticism and evaluations,»* he declared on 12th June last.

Ainars Slesers, who is running for the position of Head of Government, only admits to having one rival: outgoing Prime Minister Valdis Dombrovskis. *«I have a lot of respect for Janis Urbanovics (Harmony Centre) but he will never be Head of Government. We shall cooperate with Harmony Centre in Parliament but Janis Urbanovics will not be the next Prime Minister,»* he declared.. In his opinion Harmony Centre already has a heavy task in managing Riga. *«If the people accept the financial occupation of Latvia, then Valdis Dombrovskis will remain Prime Minister. But if it wants to defend national interests then I am prepared to serve the Latvian nation,»* he added. In the event of victory by his party on 2nd October Andris Skele is due to occupy the position of Finance Minister.

The leader of the People's Party is pointing to the importance of the traditional family model. He wants to help each young person who works and pays taxes to save 1,000 lats (1,400 €) in order to reduce the emigration of the young. He wants to make Bible reading lessons obligatory (which non-Christians and atheists would be exempt from if they make a written request). *«In spite of the separation of the Church and the State in the Latvian Constitution Christianity is a founding value of European identity and the former governs human relations,»* said the authors of the draft law.

Both parties support a reduction in bureaucracy, a decrease in taxes and support for entrepreneurship and

the creation of new jobs. The coalition, which is fighting for the end of the budgetary deficit and hopes to see Latvia stop borrowing money from abroad, regularly denounces the cooperation with the IMF and the EU. Andris Skele suggested that the State should sell some of its national companies such as the National Forestry Office (LVM), the electricity company Latvenergo and even the telecoms company Lattelcom. «Our model is Ireland, a country where politicians and businessmen are united to ensure the country's development,» indicated Ainars Slesers.

National Union

National Union, which is highly nationalist, has set the goal of making Latvia a State of democratic and national law that protects Latvian values and settles the aftermath of the occupation and the colonisation of the country. «*We want to consolidate the nationalist ideology in the elections and to achieve our goal – the creation of a Latvian Latvia – our party has decided to cooperate with All for Latvia,*» indicated the leader of the Pro-Patria Union and Freedom, former Justice Minister Gaidis Berzins. «*The political situation in Latvia in which pro-Russian groups are actively growing stronger around Harmony Centre demands that each of us does everything in his power to guarantee the greatest representation of Latvian parties in Parliament,*» he added. «*I am confident that the cooperation between the nationalist parties will lead to the defence of national interests, that it will make the difference and prevent parties that support the Kremlin from taking power in the general elections – we have a chance of strengthening Latvian Latvia and the country's economic prosperity,*» declared the leader of All for Latvia, Ratvis Dzintars. Gaidis Berzins will lead the list in Kurzeme; Imants Paradnieks in Zemgale and Peteris Tabuns in Latgale.

The National Union supports fiscal reform but wants to see a decrease in income tax and an increase on tax on capital. It supports a rise in property tax to balance the real estate market. Roberts Zile, leader of Pro-Patria Union and Freedom will be standing for National Union as the next Prime Minister. «*Our union provides an ideal again for those who have lost confidence in the ideal of a socially fair Latvian State,*» he maintains

adding, «*I have asked each party to say publicly that it will not work with Harmony Centre. No political leader has accepted to make a declaration like this. We are therefore the only ones to say that we will not accept government in a coalition with also includes Harmony Centre. The higher our results the higher our chances are to prevent this party from entering office.*»

Greens and Farmers' Union

Aivars Lembergs, mayor of Ventspils, the country's most important port and the end point of the main transit route of Russian trade via Latvia is running for the position of Prime Minister in the coalition rallying the Greens and Farmers' Union and For Latvia and Ventspils. The man who is one of the country's richest has been under prosecution for many years. He is accused of corruption and money laundering in transactions that took place between 1993 and 1995. He is under suspicion of having received 453,000 lats (640,000 €) in dividends from a Swiss investment company, Multinord AG.

On 22nd July last Aivars Lembergs announced that he would not be standing in the general elections. «*I have decided not to stand in the election. It was a difficult decision for me to take because the polls show that I have a great amount of support. But I am confident and know that the Greens and Farmers' Union will win the general election. I do think however that my work in Parliament would not be as useful as that which I provide to the town hall of Ventspils,*» he declared. This decision is however a hard blow for the party since Aivars Lembergs enjoys popular support. «*It makes no difference whether he is on the list or not. He is still our candidate for Prime Minister which is what the electorate votes for as a priority,*» said Augusts Brigmanis, who hopes that the Greens and Farmers' Union will win 20 seats in Parliament.

Aivars Lembergs denounced the hold the «*international financial oligarchy*» has on Latvia. He said that the government had made commitments in the utmost secrecy with international institutions without informing either the political parties in power or the Latvian people. «*Latvia has already been sold,*» he repeats saying that several national companies will be sold by Prime Minister Valdis Dombrovskis and Finance Minister Ei-

nars Repse after elections to soak up the debts. Aivars Lembergs declared that he had no objection for his party to cooperate with Harmony Centre after the elections on 2nd October next.

In the general elections on 2nd October next, the Greens and Farmers' Union is calling for new minds that have «*a European education and a modern way of thinking,*» according to its chair. Outgoing Environment Minister Raimonds Vejonis will lead the list in Riga; the leader of the Saiema, Gundars Daudze in Kauzme; Augusts Brigmanis in Zemgale; Stanislavs Skesters in Latgale and Janis Duklavs in Vidzeme.

Harmony Centre

Harmony Centre, led by Janis Urbanovics, the candidate running for Prime Minister is the only alliance on the left of the political scale. Although the parties that make it up are neither nostalgic of the former Soviet Union or revisionist as some Russian speaking parties are the position adopted by Harmony Centre with regard to issues it has made its priority (language, citizenship and Latvia's position in the international arena) differs from those of the other parties. Janis Urbanovics is not just interested in the Russian speaking electorate and under his management his party has undertaken a number of changes: it has banned the red flag; it has moderated its position on the use and acknowledgement of the Russian language etc... «*We are not a pro-Moscow party, we are an independent Latvian party. We do not accept an ethnic approach and we do not accept Latvia's manipulation in the name of geopolitics. But it is silly when we have a neighbour as powerful as Russia not to take it into account. All of the major companies dream of the Russian market,*» says Boris Cilevic, MP.

Harmony Centre is against reducing retirement pensions as well as continued raises in VAT rates. It says that tax evasion cannot be eradicated until Latvians are sure that the taxes they pay really do come back to them. It wants to increase non-taxable revenue as from 2013. Janis Urbanovics says that the vote on the next budget will show that the economic crisis is far from over and that the recent rise in exports (these rose by 22% over the last five months in comparison with the same period of 2009 according to a Eurostat report) is only the result of «*the manipulation of figures*».

Although Harmony Centre enjoys good results in the polls it remains isolated. During the local elections on 7th June 2009 it made an alliance with Latvia's First in Riga. Its leader Ainars Slesers and the mayor of the town, Nils Ushakov signed a strategic partnership to govern the capital.

Sandra Kalniete qualified the party as «*a union supported by Moscow*»; former President of the Republic (1999-2007) Vaira Vike-Freiberga, an international personality whose mandate as Head of State is still a reference for most Latvians said that if she were head of the country she would ask the authorities to prosecute the leader of Harmony Centre, who in her opinion, has intimated that he might be at the root of ethnic violence if his party can form a government coalition.

Easily ahead just a few weeks ago Harmony Centre has suffered a slight decline in the most recent polls. The latest poll published on 31st August credits it with 14.43% of the vote and 30 seats, just slightly better than the coalition Unity which is due to win 13% (31 seats). The reason for the decline of Harmony Centre might be explained by the rise of another Russian speaking party, For Human Rights in a United Latvia. Apart from these two parties five others are due to rise above the 5% threshold of votes necessary to enter Parliament. These are the Greens and Farmers' Union, the People's Party, and Latvia's First-Latvian Way together in the coalition For a Good Latvia and the Pro Patria Union and Freedom and All for Latvia, members of the National Union. However just one month before the election around one fifth of voters are still undecided about how they will vote.

Reminder of the General Election Results on 7th October 2006 in Latvia

Turnout: 61,88%

Political Parties	No of votes won	% of votes cast	No of seats
People's Party (TP)	177 481	19,56	23
Greens & Farmers' Union (ZZS)	151 595	16,71	18
New Era (JL)	148 602	16,38	18
Harmony Centre (SC)	130 887	14,42	17
Latvia's First-Latvian Way (LPP-LC)	77 869	8,58	10
Pro-Patria Union and Freedom (LNNK)	62 989	6,94	8
For Human Rights in a United Latvia (PVTCL)	54 684	6,03	6
Social Democratic Labour Party (LSDSP)	31 728	3,50	0
Motherland (D)	18 860	2,08	0
All for Latvia (VL)	13 469	1,48	0
Others	33 501	3,68	0

Source : Central Electoral Commission of Latvia
<http://www.cvk.lv/cgi-bin/wdbcgiw/base/saeima9.GalRezS9.vis>

General Elections in Latvia, a round up one week before the vote

D -7

7 days before
the poll

On 2nd October next the Latvians will appoint the 100 members of the Saeima, the only Chamber in Parliament.

In this election most of the political parties will group together within five coalitions:

- Unity (Vienotoba) rallies New Era (JL) the party of outgoing Prime Minister Valdis Dombrovskis, led by Solvita Aboltina, the Civic Union (PS), chaired by Girts Valdis Kristovskis, a town councillor in Riga and the Society for Other Politics (SCP);
- Harmony Centre (SC) rallies the National Harmony Party, New Centre and the Social Democratic Party;
- For a Good Latvia rallies the People's Party (TP), Latvia's First-Latvian Way (LPP-LC), For a better Latvia and three regional parties (the People of Latgale, LT, Rezekne United, VR and For the District of Ogre, ON);
- the National Union comprises the Pro-Patria Union and Freedom (TB/LNNK) and the far right party, All for Latvia (VL);
- finally the Greens' and Farmers' Union (ZZS) chaired by Augusts Brigmanis, rallies the Union of Latvian Farmers and the Green Party and For Latvia/Ventspils.

Latvia, the most dynamic economy in Europe just a few years ago, was severely affected by the economic crisis in 2008. The “*Baltic Tiger*” was saved from bankruptcy in December 2008 by loans (5.27 billion lats, i.e. €7.05 billion) which were jointly granted to it by the IMF and the EU together with the Nordic countries, the World Bank and the European Bank for Reconstruction and Development (BERD). The government - led by Ivars Godmanis (Latvia’s First-Latvian Way, LPP-LC until 20th February 2009), then by Valdis Dombrovskis (JL) - implemented severe austerity policies (budgetary cuts, decreases in salaries and retirement pensions, reductions in the number of civil servants and increases in taxes) to counter the crisis. These measures are beginning to produce results and the IMF representative in Central and Eastern Europe, Mark Allen said that he “*was greatly impressed*” by everything that Valdis Dombrovskis’s government had achieved.

The ratings agency Fitch also raised Latvia’s mark (BB+) since the country’s situation has risen from “*negative*” to “*stable*”. Fitch stresses that the austerity policy, which has been painful but necessary, implemented by the government coalition, has helped reduce imbalance in the Latvian economy. The rise in exports, due to a decrease in salaries (-22.7% in the first quarter) is the main reason for the improvement in the country’s economic health. Fitch believes that Latvian GDP growth will decline again by 2% this year before growing by 2% in 2011 and by 3% in 2011 and by 3% in 2012; it also announced that Latvia would not, in its opinion, adopt the euro before 2014.

“*These declarations are extremely important for financial investors and the international community which has approved the work achieved by Latvia to overcome the economic crisis,*” declared Finance Minister Einars Repse (JL). Outgoing Prime Minister Valdis Dombrovskis declared that his government has succeeded in changing the structure of the Latvian economy: the growth of exports and industrial production has replaced the policy of easy credit, growth by consumption and the real estate bubble. “*If there are no unexpected surprises Latvia’s rating will be raised after the general elections and the adoption of the 2011 budget,*” he maintained.

The Latvian Statistics Bureau announced on 31st August that wages and salaries had risen by 2.9% in the second

quarter of 2010 (+6.4% in the public sector and 0.6% in the private sector).

At the beginning of September the representatives of the main political parties promised together not to increase taxes during the next government. Some however said they wanted to change the tax system in order to lower the cost of labour and tax consumption and real estate more. According to Ilmars Rimsevics, governor of the Central Bank of Latvia, political parties are struggling to set out their economic programme because of the unpopular decisions they will necessarily have to take if they come to power. “*The electoral programmes should all show what their plan of action will be. It is not the case. Journalists often ask the politicians “tell us how you are going to find 350 or 400 million lats you need to finalise the budget?” But no one answers. A real action plan should answer the following questions: What are the goals in terms of revenue? What measures are going to be taken to achieve them? « What will the government’s spending concern as a priority?”* declared the country’s General Auditor, Inguna Sudraba.

During a televised debate Economy Minister Artis Kamparas (JL) said that his party would invest 3 billion lats (€4.2 billion) in the national economy if it won the elections. He explained that 2.5 billion would come from the EU’s Structural Fund and 500 million from the State. Martins Zemitis, a member of the coalition “*For a Good Latvia*” said during the debate that his party’s victory would enable Latvia to rise from 29th position to lie within the top ten in the ranking of the most competitive countries established by the World Bank. Without saying how his party would achieve this he even said that 150,000 new jobs would be created. The candidate running for the post of Prime Minister on behalf of For a Good Latvia, Ainars Slesers said in a TV programme 900 seconds that he was certain that the government was secretly negotiating the privatisation of State run companies by 2012. “*Why establish a working group on privatisations if they were not planning to privatise any companies?”* he asked saying that everything was in place so that national companies could be sold off.

In March last the government established a working group responsible for looking into the possibility of floating State companies on the stock exchange but outgoing Prime Minister Valdis Dombrovskis categorically denied having any such project. “*My government*

is clear. The law on privatisation stipulates that a certain number of companies cannot be privatised, for example the national electricity company, Latvenergo and the National Forestry Office (LVM). We have no intention of changing this list. There is no secret arrangement with the IMF," he declared.

In Latvia where nearly 30% of the 2.3 million Latvian citizens are Russian speaking 20 years after the country's independence the rift between the Latvians and the Russians is still a major political issue and this is duly maintained by their grand Russian neighbour. "The Latvian parties have admitted that ignoring the Russian speaking parties, never allowing them to take part in a government coalition, was an error," declared Aigars Freimanis, director of the pollster Latvijas Fakti. The latter says that Russia's influence is increasing in Latvia, notably in the media and that all of the countries' parties acknowledge that it is necessary to improve relations with Moscow. "People are used to each other. There are now mixed families, mixed companies," he stresses.

However the candidate running for the post of Prime Minister in the coalition "For a Good Latvia", Ainars Slesers and former Prime Minister (2004-2007), Ainars Kalvitis (TP) rejected the possibility that Janis Urbanovics (SC) may one day become Prime Minister.

The leader of the People's Party, Andris Skele said that "For a Good Latvia" considered "Unity" and the "Greens and Farmers' Union" as possible coalition partners but that "For a Good Latvia" may, "if it found itself in political stalemate", negotiate with Harmony Centre.

Delna, the Latvian branch of the organisation to counter corruption, Transparency International, opened a database on 13th September collating information on the 212 candidates running in the general elections on 2nd October next. The study is based on six criteria: comments about a candidate's involvement in a conflict of interest, behaviour contrary to ethics, corruption charges, frequent change of political affiliation, doubtful appointment on local or national company boards and obscure financial transactions. 88 of the 212 candidates are concerned by one (or several) of these criteria: 24 issues "For a Good Latvia", 18 for "Unity", 16 for "National Union" and 7 for the party "For Human Rights in a United Latvia (PVTCL)". This data base is available on-line at the following address: <http://www.kandidatuzdelnas.lv>

Delna points in particular to four candidates: Andris Skele and Ainars Slesers, leaders of the coalition "For a Good Latvia" that brings together many oligarchs, Aivars Lembergs, (ZZS) and Ainars Melders (National Union). Ainars Slesers and Aivars Lembergs are both running for the post of Prime Minister.

According to Aigars Freimanis, the number and variety of political parties is one of the main problems in Latvia. The government coalitions have been so numerous since the country's independence in 1991 that all of the political parties have at one time or another been in government. Likewise each regularly accuses its partners of being responsible for the errors committed.

Aigars Freimanis is counting very much on the change in generation that will certainly occur within the political classes. "People who started their career during the time of the USSR will disappear. New leaders will have other customs and different principles. The influence of local tycoons such as Aivars Lembergs, Andris Skele and Ainars Slesers will decrease as they grow older. The ethnic criteria will no longer be the main factor in voting, voters will take more interest in the parties' economic programmes. This will not all happen in one go; democracy is recent in Latvia and the country still has to mature," he said.

The Organisation for Security and Cooperation in Europe (OSCE) sent a mission of 14 people, led by Nikolai Vulchanov to monitor the election on 2nd October.

The coalitions "Unity" and "Harmony Centre" are vying for first position in the most recent polls. The pollsters Latvijas Fakti and Nikolo Grupa place the Russian speaking coalition ahead whilst Factum believes that it will be "Unity".

"Unity" is recruiting, the eldest and the most qualified as well as the highest ranking socio-professional categories amongst the Latvian electorate. However Harmony Centre is convincing most of the Russian speakers and the most modest socio-professional classes.

Coming in third is the "Greens and Farmers' Union followed by "For a Good Latvia" and finally "National Union".

"For Human Rights in a United Latvia" another Russian speaking party and the Last Party whose candidate for Prime Minister is a teddy bear, may rise above the 5% mark obligatory to be represented in the Saeima.

Nearly half the electorate say they are undecided. If we believe the polls turn out is due to be higher than that recorded in the last elections on 7th October 2006.

"We are living at a time when we all have to give so-

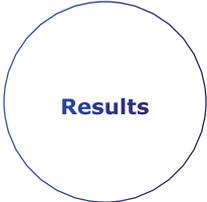
mething up (part of his salary or his profits) so that we can emerge from the crisis, this is why I hope that politicians will be careful and even hard with regard to what they say," declared the President of the Republic, Valdis Zatlers who is asking voters to demand real answers to their questions on the part of politicians and to vote "wisely" in the hope that the elections "bear witness to the civic responsibility and maturity" of the Latvians. Extre-

mely concerned about the country's political stability the Head of State is planning to address the nation on the eve of the election in order to motivate electorate.

Whatever happens the country's next government will have to take some difficult decisions. Latvia is at a crossroads in terms of economic and political development and must absolutely make structural reform to ensure its future.

General Elections in Latvia, 2nd October 2010

Unity, the centre right coalition led by outgoing Prime Minister Valdis Dombrovskis easily wins the general elections in Latvia.



Results

The Latvian electorate confounded the pollsters' forecasts by voting massively in support of the coalition Unity (Vienotība) led by outgoing Prime Minister Valdis Dombrovskis in the general elections that took place on 2nd October.

Unity, a three party alliance, New Era (JL), the Head of Government's party led by Solvita Aboltina, Civic Union (PS), chaired by Girts Valdis Kristovskis and Society for Other Politics (SCP) – won 30.72% of the vote and 33 seats in the Saeima, the only chamber in Parliament.

Harmony Centre (SC), a leftwing opposition coalition that rallies the National Harmony Party, New Centre and the Social Democratic Party led by Janis Urbanovics, came second improving its position in comparison with the general election of 7th October 2006 with 25.69% of the vote and 29 seats. The two electoral blocs had been declared to be running neck and neck until the day before the election.

The Farmers and Greens' Union (ZZS), chaired by Augusts Brigmanis which rallies the Union of Latvian Farmers, the Green Party and For Latvia/Ventspils came third with 19.42% of the vote and 22 seats.

For a Good Latvia follows close behind; rallying the People's Party (TP) led by Andris Skele, Latvia's First-Latvian Way (LPP-LC) led by Ainars Slesers, For a Better Latvia and three regional parties won 7.55% of the vote (8 seats), a result equal to that achieved by the National Union alliance comprising Pro Patria Union and Freedom (TB/LNNK) led by Roberts Zile and the far right party All for Latvia (VL).

Finally For Human Rights in a United Latvia (PVTCL), a party that defends the Russian speaking minority which lies to the left of the political scale, failed to rise above the 5% mark of votes cast necessary to be represented

in the Saeima, only winning 1.41% of the vote.

Turnout was slightly higher than that recorded in the last general election on 7th October 2006 (+0.72 points) and rose to 62.60%. It was in the Russian speaking

areas (Latgale, 52.54%) that the electorate abstained the most. The Latvians, who are extremely disenfranchised with their institutions and their politicians and in whom most seem to have lost all confidence, did not stay at home on Election Day.

In their majority the electorate showed they wanted to re-elect their outgoing Prime Minister Valdis Dombrovskis, who conducts an austerity policy, because they believe this is the only solution to put Latvia, which has been sorely affected by the economic crisis, back on track for growth.

"I would like to thank all of those who supported the coalition Unity. They clearly voted for stability and continuity. Several political parties called to reject the repayment of the loan to the international community and the economic stabilisation programme, promising all kinds of miracles," declared Prime Minister Valdis Dombrovskis who qualified the vote as a *"pleasant surprise"*. He said that the outgoing government had achieved a *"convincing majority"* which gave it *"the legitimacy to continue the work which has been started."* The outgoing government that he was leading brought together, in addition to his own party New Era, the Union of Farmers and Greens which has participated in all government coalitions since the country's independence in 1991 and the Pro-Patria Union and Freedom. *"We have discussed further opportunities to work together and we are prepared to continue our work,"* indicated the outgoing Prime Minister.

"It is a major victory for Valdis Dombrovskis," declared Morten Hansen, Director of the Economics Department at the Stockholm School of Economics in Riga. *"We are suffering the worst recession in the EU, the toughest austerity measures and people still say 'we are confident in this man, let him continue'"*, he added. *"It is a superb victory. It is quite surprising in the European context. How voters reacted to the economic crisis? By voting for a Prime Minister who promises them austerity measures,"* adds Nils Muiznieks, professor of political science at the University of Latvia.

"We cannot ignore or exclude Harmony Centre," said Solvita Aboltina, the New Era leader. *"We must think of how we can democratise Parliament and we have to do this with the opposition,"* she stressed. *"We shall*

discuss matters with all of the political parties including Harmony Centre. There are several issues we have not succeeded in agreeing on until now. But we do not intend to isolate this party," said the outgoing Prime Minister. *"It is important to understand how unreasonable it would be to ignore the power and legitimacy that the Harmony Centre has gained via the number of votes it has won,"* stresses Roberts Kilis of the Stockholm School of Economics in Riga.

Aigars Freimanis, director of pollster Latvijas Fakti is quick to forecast participation by Harmony Centre in the next government coalition. *"Bringing Harmony Centre into the government will enable the latter to protect itself from the population's anger when the next budgetary cuts are made,"* he declares. Janis Urbanovics, the Harmony Centre's leader has already warned: *"You are really thinking of forming a government without us? You want early general elections?"* he exclaimed, disappointed at not seeing his party that was in the lead for several months in the polls, win the election.

"We have assumed our responsibilities, we have guaranteed the country's solvency and progressively re-established growth and we must stay on course. But the crisis really is not over and we still have a great deal of work ahead," repeated the Prime Minister as he went to vote. *"There is no reason to be euphoric. There is still a great deal of work to be done,"* he maintained after the results were announced. The rigorousness and sobriety of Valdis Dombrovskis finally convinced voters that the path comprising major sacrifices chosen by the government is the only means to put the country back on its feet and to guarantee Latvians their future.

The main opposition party, Harmony Centre did however promise them to attenuate the social effects of the austerity policy undertaken by the government by re-negotiating the terms of reimbursement of the 5.27 billion lat loan (€7.05 billion) that the International Monetary Fund (€1.30 billion) and the EU (€3.1 billion) granted to Latvia in December 2008. The President of the Republic, Valdis Zatlers, who will soon appoint the next Prime Minister, has already said that the respect of the reimbursement of the loan allocated by the international community will be decisive criteria in his choice. He

also said that Harmony Centre's wish to put an end to Latvia's military participation in Afghanistan was incompatible with the occupation of ministerial positions.

A qualified physicist and former economist in chief at the Central Bank of Latvia and former Finance Minister (2002-2004), 39 year-old Valdis Dombrovskis, (he is the youngest Prime Minister in the EU) therefore maintains his post as Prime Minister which he has occupied since 26th February 2009. Elected MP in the general elections of 5th October 2002 after having undertaken a career as a physicist and then economist he was appointed Finance Minister in the government led by Einars Repse (JL) that same year. He left office in 2004 when he resigned from the outgoing coalition and was elected to the European Parliament on 12th June 2004,

a post he resigned from in February 2009 to take over as head of the Latvian government.

"*This is the most important election since independence because it will decide which way we will turn,*" declared Sandra Kalniete, former Foreign Minister (2002-2004) and MEP before the election. The Latvians have therefore chosen continuity, synonymous with a painful austerity policy and they have shown political maturity by re-electing the outgoing coalition. This is the second re-election of a centre-right government in Latvia since 2006.

Apart from structural reform vital for the Latvian economy the next government will have to reduce the 2011 budget by 6% to guarantee the country's future, "*a difficult task*" according to Valdis Dombrovskis himself.

General Election Results 2nd October in Latvia

Turnout: 62.60%

Political Parties	No of votes won	% of votes cast	No of seats
Unity (V)	300 328	30.72	33
Harmony Centre (SC)	251 148	25.69	29
Farmers and Greens (ZZS)	189 837	19.42	22
For a Better Latvia	73 798	7.55	8
National Union	73 792	7.55	8
For Human Rights in a United Latvia (PVTCL)	13 824	1.41	0
Others	40 149	4.11	0

Source : Internet Site of the Central Electoral Commission of Latvia (<http://www.velesanas2010.cvk.lv>)

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