

LATVIA RELOADED – THE PARTIES ARE TRYING TO REVIVE THE SPIRIT OF 1991

Andreas M. Klein

In many ways, the elections of 2nd October 2010 were a call for Latvia's 1.5 million citizens to decide the future direction of their country. On the one hand the ruling coalition made up of "Unity" (*Vienotība*), "Union of Greens and Farmers" (*Zaļo un Zemnieku Savienība / ZZS*) and "For Fatherland and Freedom" (*Tēvzemei un Brīvībai / TB/LNNK*), headed by Prime Minister Valdis Dombrovskis, sought agreement for its austerity policies caused by the crisis, on the other hand the electorate had to vote on whether the business interests of the Latvian "oligarchs" should continue to have a significant influence on the country's politics. On top of this, since the local elections of June 2009, there had been a shift in power towards the "Harmony Centre" (*Saskaņas Centrs / SC*), the party representing the ethnic Russian minority, which after the election became the strongest faction on the influential Riga City Council and which maintained steady support in the polls of between 25 to 30 per cent in the lead-up to the election.

In the end the civic electoral alliance *Vienotība*, which was formed in March out of "New Era" (*Jaunais laiks / JL*), "Civic Union" (*Pilsoniskā savienība / PS*) and "Society for Other Politics" (*SCP*), won a surprise clear majority over the other parties with 31.22 per cent of the vote. And as the two previous coalition also increased their share of the vote, the ruling coalition came out of the tenth elections to the Saeima, the Latvian Parliament, stronger than ever. The "Union of Greens and Farmers" gained 2.85 percentage points to reach 19.68 per cent, and the "For Fatherland and



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Freedom" party, which in the interim had merged with the "All for Latvia" party (*Visu Latvijai / VL*) to form the VL-TB/LNNK, won 7.67 per cent (+0.9 per cent).

The "Harmony Center" party can also consider itself as victors alongside *Vienotība*. Compared to its results in the 2006 elections, it made great strides in increasing its share of the vote to 25.69 per cent (2006: 14.42 per cent). With 39.14 per cent, it consolidated its strong position in the capital, Riga, where it appointed the ethnic Russian Nils Ušakov as mayor of Latvia's political and business hub after winning a majority on the City Council in the local elections. Although their leading candidate for the position of Prime Minister, Jānis Urbanovičs, is Latvian, the party's supporters can mainly be found among the ethnic Russian population. After the decline of the "For Human Rights in United Latvia" party (*Par cilvēka tiesībām vienotā Latvijā / PCTVL*), with its vote collapsing from 6,03 per cent (2006) to 1.41 per cent, the SC was able to extend its domination within the Russian camp and in future it will serve as the Russian population's sole mouthpiece in Parliament.

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Clear losers in the parliamentary elections were the "People's Party" (*Tautas partija / TP*) and "Latvia's First Party/Latvia's Path" (*Latvijas Pirmā partijas/Latvijas Ceļš / LPP/LC*), which in 2006 won 19.56 per cent (TP) and 8.58 per cent (LPP/LC) of the vote and which have played their part in various governments over the last four years. As a result of their low standings in the polls, the two parties came together to form a political bloc for the elections called "For a Good Latvia" (*Par labu Latviju / PLL*).¹ However, the alliance still only won 7.65 per cent of the vote, representing a combined loss of 20.48 percentage points.

1 | Cf. Andreas M. Klein, "Eine unheilige Allianz", *KAS-Länderbericht*, June 16, 2010, in: <http://kas.de/lettland/de/publications/19906> (accessed December 1, 2010).

Table 1

Results of the 2010 parliamentary election

Party	Per cent	Seats in the 10 th Saeima
Vienotība	31.22	33
Saskaņas Centrs	26.04	29
Zaļo un Zemnieku Savienība	19.68	22
Visu Latvijai – Tēvzemei un Brīvībai	7.67	8
Par Labi Latviju	7.65	8
Par cilvēka tiesībām vienotā Latvijā	1.43	—
Andere	4.17	—
Gesamt	97.86	100

Source: Central Election Commission Latvia, web.cvk.lv

A RETROSPECTIVE

From the beginning of 2010, the lead-up to the elections was characterized by a wave of consolidation across the whole party spectrum. Individual parties formed electoral blocs or alliances. Along with the political bloc “For a good Latvia” (PLL) and the “National Alliance” (VL-TB/LNNK), the civic coalition of “New Era” (JL), “Civic Union” (PS) and “Society for Other Politics” (SCP) provided a hot topic for discussion. Whereas before the 2009 local elections there had been a tendency for established parties to splinter, before the 2010 parliamentary elections the trend was towards consolidation, as a result of the founding of a series of new parties such as the “Society for Other Politics” and the “Civic Union”. On 6th March the new alliance of the JL, PS and SCP came together in the packed Latvian National Theater, the location of Latvia’s 1918 Declaration of Independence, to evoke the spirit of the nation’s birth and under the banner of “Unity” (*Vienotība*) bring about a political, economic and intellectual turnaround during the deepest crisis this young democratic nation had ever faced.²

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2 | Cf. Andreas M. Klein, Katrin Ridder-Strolis, “Gründungskongress des Parteienbündnisses ‘Vienotība’ erfolgreich verlaufen”, *KAS-Länderbericht*, March 10, 2010, in: <http://kas.de/lettland/de/publications/19014/> (accessed December 1, 2010).

This had been preceded by the country's near-bankruptcy as a result of the worldwide financial and economic crisis. This, along with the economic and social implications of the crisis had led to an all-time low in the acceptance of democratic institutions. A survey conducted by the research institute SKDS in August 2010 showed that the 9th Saeima enjoyed the lowest-ever levels of public trust of any Latvian parliament since the re-establishment of independence in 1991. In summer 2008, 15.4 per cent of those polled still expressed trust, but a low point of 4.5 per cent had been reached in January 2009 when a rally outside the Saeima turned into a violent protest staged by mainly younger rioters.

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In the period since the Parliamentary elections in 2006, the country has had three Prime Ministers who have had varying degrees of success in dealing with the crisis. In the first decade of the 21st century, Latvia has been in the "fast lane" in Europe. Its advantageous position at the meeting point of West, East, North and Central Europe, its well-developed infrastructure and good connections to Russia, the countries of Central Asia and the Caucasus and its flat-rate tax system allowed the country to profit from an unexpected economic boom, with average growth of 8.8 per cent between the years 2000 to 2007.³ And at six per cent, its unemployment rate was the lowest of all European countries.

So, despite clear warnings from experts, its crash-landing after the boom years was all the more severe. The Latvian economy was heady with its own success and totally unprepared for the crisis. The image of the forever-booming Baltic tiger was fixed in the minds of politicians, businessmen and citizens alike. Investment and consumption was all based on credit as everyone expected the headlong economic growth to continue forever. But the Latvian Parex Bank finally had to cease borrowing on the financial markets due to the general financial situation, leaving the Latvian state to ensure its liquidity by nationalizing it in autumn 2008, providing a multi-million euro bail-out in order to guarantee private and public investments. This resulted in

3 | Cf. Wirtschaftsdaten kompakt – Lettland. Bundesagentur für Außenwirtschaft (bfai), November 2008.

a loan of more than 7.5 billion euro from the International Monetary Fund (IMF) and the European Union in order to prevent the country going bankrupt in the ninetieth year of its existence. Prime Minister Ivars Godmanis (LPP/LC) had only taken over the office in December 2007 from his predecessor Aigars Kalvitis (TP), but by February 2009 his approval rating had reached an all-time low of seven per cent.⁴

LATVIA'S PATH – THE “DOMBROVSKIS PHENOMENON”

It was under these unfavorable signs that former Finance Minister and MEP Valdis Dombrovskis (JL) took over the reins of government in March 2009. He was also unable to restore the public's generally poor opinion of their Government and Parliament, but they liked the calm, unflappable way he tried to get their stricken country back on its feet. Immediately upon taking office, Dombrovskis ordered a review of national finances and by summer 2009 had already pushed through savings in government spending amounting to 500 million lats (approx. 750 million euro). Public sector salaries were cut, welfare spending was slashed, hospitals and schools closed. Another 500 million lats of cuts in government spending followed in the 2010 financial year. Even at that point it became apparent that in election year the “grand coalition”, which passed the budget cuts in 2009 with 63 out of 100 votes, would not be able to hang on to power. The People's Party (TP) – from whose ranks the Prime Minister had been appointed until December 2007 – increased their attacks on Dombrovskis until finally in March 2010, six months before the Gary elections, it defected to the Opposition bench. Without worrying about his own popularity, and despite his reduced parliamentary majority, Dombrovskis continued doggedly with his agenda of budget consolidation.

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The Latvian path is all the more remarkable in a time when it seems to be increasingly difficult to make unpopular but necessary cuts to established European social security systems. This is shown by the growing strength of populist

4 | Poll conducted by SKDS; quoted in: *Baltic Times*, Vol. 10, № 722, September 30 - October 6, 2010.

right and left-wing movements in many European countries. But Dombrovskis, who even friends and colleagues claim has all the charisma of a “likeable accountant”, has no use for modern media and mass communication. He explains his policies in the style of a technocrat, calmly and in words of one syllable, and quietly and efficiently works his way down his governmental to-do list. He leaves the grand public appearances to others, such as his party’s First Lady, Solvita Āboltiņa. In spite of, or perhaps because of, his reserved manner, Dombrovskis has become the country’s most popular politician.

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As a result, *Vienotība’s* election campaign was chiefly focused on the image of its Prime Minister. With the slogan “Dombrovskis must go on working!” (*Dombrovskim jāturpina strādāt!*) the top-ranking politicians of the other three coalition parties had to subordinate their desire for leadership to the greater good of the coalition’s continuation. Much to the chagrin of the coalition’s advertising agency McCann, Dombrovskis was true to their slogan and even during the most heated stages of the campaign he spent more time in his office preparing the 2011 budget than out campaigning in the nation’s streets, market places and town halls.

For Viesturs Reņģe, Professor of Psychology at the University of Latvia, Dombrovskis is the right man in the right place at the right time.⁵ In times of crisis and uncertainty, Dombrovskis radiates calmness and equilibrium. And his modest, down-to-earth lifestyle in a socialist-style concrete block with his wife and cat Klēra is in stark contrast to the lifestyle of many of his fellow politicians who are driven by personal business interests. But despite his comfortable victory in the elections on 2nd October, Dombrovskis will need to find still more reserves of leadership than he has needed in the past 18 months where he has been primarily fulfilling agreements made with the IMF and EU with little individual or creative room for maneuver.

5 | Cf. *ir* of October 7 - 13, 2010, 14-19.

DIFFICULTIES IN BUILDING A COALITION

The four weeks between election night and the first session of the new Parliament brought to light the centrifugal forces within the *Vienotība* coalition. For the victors, continuation of the coalition with ZZS, with or without the participation of VL-TB/LNNK was just as mathematically possible as building a government with *Saskaņas Centrs*. Representatives of the SCP in particular spoke out in favor of the political involvement of the ethnic Russian minority in the government, in order to better meet the needs and interests of the second-largest section of the population in Latvia (28 per cent). In the almost twenty years since Latvia re-established independence in 1991, the ethnic Russian minority had had no political representation in government.

Just two days after the elections, on 4th October, the first exploratory talks were begun with potential partners. The talk was now of an all-party coalition, with the exception of the oligarch's alliance *Par labu Latvijai*. In

the end it was not so much ethnic differences which precluded the two largest factions coming together in the 10th Saeima, rather it was their different ideas about future directions in the financial, economic and social

areas. While Dombrovskis intended to maintain the course he had set to consolidate the budget, in close cooperation with the IMF and EU, the Harmony Center called for the country to turn its back on the "humiliation of international financial aid". Likewise, leaders of the SC believe the best way to lead the country out of such a severe economic crisis is national investment programs, while accepting higher inflation.

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A controversial debate was also raging within *Vienotība* over their former second coalition partners, the TB/LNNK. This nationalist-conservative organization has the longest tradition among all the parties in the young Latvian party system, doing particularly well in elections during the 1990s. From December 1994 to February 2004 and since March 2006, the TB/LNNK has been a member of a number of coalitions. From August 1997 to November 1998 the Latvian Prime Minister, Guntars Krasts, was appointed from

their party. Before the 2010 parliamentary elections TB/LNNK merged with the right-wing populist "All for Latvia" (VL) movement to form the "National Alliance" (VL-TB/LNNK). VL advocated active population policies which provided monetary incentives to encourage the return of expatriate Latvians. It also called for Latvian to be systematically introduced as the only language of instruction in the country's elementary and middle schools from 2015. The party and its 29-year-old leader Raivis Dzintars have, however, come under fire for its unashamed sympathy with the Latvian Legion, which fought on the side of Hitler's Germany against the Red Army.

Because of the Latvian system of proportional representation, six of the eight VL-TB/LNNK members of the 10th Saeima belong to the VL faction. Other politicians, in particular the two SCP leaders, Artis Pabriks and Aigars Štokenbergs have refused to work with the right-wing populists. Others within the *Vienotība* coalition feel there can be no cooperation because of the nationalist rhetoric of the party's leaders.

The leaders of the three *Vienotība* factions finally came to a compromise solution: a coalition of *Vienotība* and the ZZS. Together they hold a majority of 55 seats in the 100-seat Saeima.

NATIONAL GROWTH AND UNITY

At the constituent assembly on 2nd November, President Valdis Zatlers nominated the incumbent Prime Minister Valdis Dombrovskis to be the head of government. In his speech at the opening of the new Parliament, Zatlers urged the new representatives, around 60 per cent of whom had been elected for the first time, to take their mandate seriously and to conduct parliamentary debates in an objective and result-oriented fashion. He told them it should be the top priority of both Government and Opposition to approve a sustainable budget for 2011, in order to aid the recovery of the Latvian economy. The civil service must also be modernized in the years to come to ensure its more efficient operation.

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Solvita Āboltiņa, leader of *Jaunais laiks (Vienotība)*, was appointed Speaker of the 10th Saeima. Of the 98 MPs in attendance, 63 voted the next day for the government to continue under the leadership of Prime Minister Valdis Dombrovskis. Along with the government coalition partners *Vienotība* and ZZS, which had 55 seats between them, the eight MPs of VL-TB/LNNK gave their support to the government. This is all the more surprising in light of how Dombrovskis totally ignored this former coalition partner when appointing his new cabinet. The leader of the VI-TB/LNNK, Einars Cilinskis, did not mince his words during his speech after Dombrovski's statement of government policy. He declared that although VL-TB/LNNK had voted for the current cabinet appointments, it would be closely monitoring the work of the government, in particular keeping a close eye on the Minister of Defence, Artis Pabriks, and the Minister of Justice, Aigars Štokenbergs. During the coalition negotiations, Pabriks and Štokenbergs had spoken out vehemently against sharing government with the right-wing populists.

In itself, the government's statement of policy held few surprises. The ministers from *Vienotība* and ZZS who put together the 16-paragraph document set out their vision for the country's direction in the years to come. Despite a plethora of subsections, it is largely a declaration of intent without any concrete description of how the strategies will be implemented. The stated goal is to bring the budget deficit down to six per cent of GDP in 2011 and to three per cent in the following year in order to meet the Maastricht criteria and be in a position to adopt the Euro by 2014. However, the declaration contains no concrete explanation of how this will be achieved. Other stated goals are to effectively tackle the issue of illegal employment and to liberalize the energy market, with a target of 40 per cent of the nation's energy needs being met by alternative energy sources by 2020. The coalition also devotes many paragraphs to the areas of culture, health and education.⁶

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6 | Cf. Statement of government policy (*Deklarācija par Ministru kabineta iecerēto darbību*) dated November 2, 2010: <http://mk.gov.lv/lv/mk/darbibu-reglamentejosie-dokumenti/valdibasd> (accessed December 1, 2010).

But the new-old government has little room for maneuver, despite signs of economic recovery. GDP is forecast to rise by 3.3 per cent in the coming year, after the economy shrank in recent years by 4.2 per cent (2008), 18 per cent (2009) and 3.5 per cent (2010). But the country needs

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more good years if it is to match its pre-crisis levels of growth. On top of this, around 400 million lats (600 million euro) of savings need to be made in order to meet its loan obligations. In a report published in October, the World Bank recommends further reforms in pensions, the civil service, health and education. But austerity measures will not be enough to bring the budget deficit under the six per cent mark. Experts advise a cautious increase in taxation, for instance in property or motor vehicle tax. And there is also discussion about raising VAT and introducing a progressive tax system.

TRIAL BY FIRE

The new government faced its first trial by fire just five days after being ratified by Parliament. In a hastily-called parliamentary session on 9th November, the Opposition parties put forward a motion of no confidence in the newly-appointed Foreign Minister Girts Valdis Kristovskis, accusing this leading member of the *Vienotība* coalition of making "anti-Russian statements" and having links to nationalist circles. The trigger for this Opposition attack was an exchange of e-mails a year previously between Kristovskis, who at the time was head of the Civic Union and a member of the Riga Council, and the US-resident Latvian-American doctor Aivars Slucis. Slucis is a well-known nationalist who regularly stirs up controversy through his critical articles and questionable parallels between the fate of millions of Jews during the Third Reich and the fate of Latvians under Soviet occupation.⁷

7 | Cf. Aivars Slucis, "Holocausts," *New York Times*, December 1, 1998, in: <http://vip.latnet.lv/LPRA/holocaust.htm> (accessed December 1, 2010).

In an e-mail to Foreign Minister Kristovskis dated 14th October 2009 with the heading "Do Latvians Surrender?", Slucis expressed his concern about the increasing Russification of Latvia. In his e-mail he called for an examination of all naturalizations carried out since 1991, for KGB files to be opened up and for a renegotiation of the Latvia-Russia border in the Abrene-Pyralovo region. Slucis also declared that as a doctor, he could not give Russian patients the same treatment as Latvian patients. According to the journalist Lato Lapsa on the internet portal *pietiek.lv*, Kristovskis broadly agreed with Slucis' arguments in his e-mail reply. Kristovskis does not deny his contact with Slucis, but says his words were taken out of context. It is also known that Kristovskis' *Pilsoniskā Savienība* party accepted a donation of around 16,000 euro from Slucis before the elections. The party leadership decided to return this donation shortly before the vote of no confidence of 9th November.

Since this correspondence came to light, the relations between Latvia's chief diplomat and nationalist circles have been extensively discussed on various internet forums, and particularly on the Facebook page of the Mayo Clinic, where Alvars Slucis is employed as a radiologist.⁸ This whole incident has put pressure on the coalition, as Alvars Lembergs, mayor of Ventspils and front-runner of the Union of Greens and Farmers (ZZS) – also members of the coalition – joined the Opposition in denouncing the Foreign Minister. Although Lemberg himself does not hold ministerial office or parliamentary mandate, his influence as financial backer of the ZZS and the party's *eminence grise* should not be underestimated. In any event, the coalition withstood this first stress test, with 51 of 99 MPs voting against the Foreign Minister's dismissal.

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8 | <http://www.facebook.com/MayoClinic>; Vadim Trukhachev, „Latvian Nazism desecrates the Hippocratic Oath“, *Pravda*, in: http://english.pravda.ru/world/ussr/09-11-2010/115704-latvian_nazism-0/ [15.12.2010]; Maxim Nemov, „Doctor Slucis should be glad“, in: <http://win.ru/en/topic/5823.phtml> (all URLs accessed December 15, 2010).

FUTURE PROSPECTS

The motion of no confidence against Foreign Minister Kristovskis shows that the Opposition will use all the means at its disposal to destabilize the government from the outset. It remains to be seen whether the coalition partners will require greater discipline if they are to turn the intentions of their policy statement into concrete actions.

The people have made a leap of faith in granting Dombrovskis a second term. Although the political grouping's election results were the second-best seen since the re-establishment of Latvian independence, it will be a tour

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de force to successfully govern in the present configuration. Along with juggling the interests of the ZZS coalition partners, the different currents within *Vienotība* need to be streamlined and channeled into joint political decisions. *Vienotība* is still an amalgamation of widely-differing parties, without a party statute or structure. Both will be needed sooner or later so that a corporate identity can follow on from the corporate design put together for the election. But even this does not guarantee the political grouping's long-term success, when seen against the background of the many changes and new parties which have emerged over the past twenty years. Nevertheless, it seems like a good time to build an enduring political movement, which has the ideas and personalities to connect with people and motivate them to work together for the common good. This requires a high degree of leadership, particularly on the part of the Prime Minister.

If Dombrovskis recognizes the mood of the times and pays more attention to strengthening his leadership qualities, along with continuing to do his job as the nation's first public servant, then he will enjoy a few more good years as Prime Minister and leader of the reform movement. With twenty months in office, he is already the longest-serving Prime Minister in his country's history – Latvia has had eleven Prime Ministers since 1991. In this respect, the crisis could end up having positive effects for Latvia, bringing stability to both its economic and political systems.