

## **Latvia**

### **The EU New Member States as Agenda Setters in the Enlarged European Union**

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The publication is a product of the Open Society Institute – Sofia within the European Policies Initiative (EuPI) and the project “The EU New Member States as Agenda Setters in the Enlarged European Union”. This EuPI project has been implemented in close partnership with EUROPEUM Institute for European Policy, with funding provided by the Open Society Institute – Sofia.

**About EuPI**

The European Policy Initiative (EuPI) aims at stimulating and assisting the New Member States from CEE to develop capacity for constructive co-authorship of common European policies at both government and civil society level. As a new priority area of the European Policies and Civic Participation Program of Open Society Institute – Sofia, EuPI will contribute to improving the capacity of New Member States to effectively impact common European policies through quality research, policy recommendations, networking and advocacy. The initiative operates in the ten New Member States from CEE through a network of experts and policy institutes.

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## About the publication

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The objective has been to map the positions and level of activity of the ten new EU Member States on a number of issues on the EU agenda; identifying the factors and drives behind these positions; looking at the level of political and public consensus and the influence of major stakeholders; outlining coalition patterns within the EU and, finally, trying to provide an outlook on possible change of these positions.

The countries have been classified on each of the policy issues as “Policy Takers”, “Policy Killers” or “Policy Drivers”, depending on their particular position and level of activity. In the classification of this study, Policy Takers are those states that usually follow the mainstream in the EU and in general accept whatever is offered from the EU. The Policy Driver is a country that assertively promotes an issue at EU level. A Policy Killer is a country that actively opposes the policy in question.

The research has been carried out by individual researchers in each of the ten new members on the basis of specially designed methodology, developed by EUROPEUM and major input from EuPI/OSI-Sofia. The seven policy areas under research are: I. Internal market/Lisbon Strategy; II. Minority integration and citizenship issues; III. Energy and climate change; IV. Budget review and CAP Health Check; V. EU foreign policy and enlargement; VI. Freedom, Security and Justice; VII. Institutional issues.

The research was carried out primarily in the period September 2008 – December 2009, but there may be references beyond this period. Some positions and circumstances described in the reports may have changed since the information was last made available to the researchers or reached the stage of publication.

The researchers’ findings are published in ten country reports on each of the New Member States: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

The structure of the country reports includes an overview of the country’s performance as an EU member and seven chapters following the seven broad policy areas. Each chapter contains an overview of the position of this country in the area, including the top three national priorities. Then the chapters provide in-depth analyses, information and prognoses on a set of issues (defined as general and specific) within each of the seven policy areas.

A comparative report, based on the ten country reports, was produced to highlight the project’s findings.

The views expressed in the reports are those of the authors and do not necessarily reflect the views of the Open Society Institute – Sofia.

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## **Latvia**

**The EU New Member States as Agenda  
Setters in the Enlarged European Union**

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## **About the author**

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## Latvia in the EU: An Overview

Latvia's overall performance in the first five years of EU membership can be evaluated as average – it does not stand out among other New Member States with visible activity or passivity. This can be partly explained by lack of capacity, with the national administration still learning to become more pro-active and not only react to position papers or draft legislation but also to identify national interests on EU issues in advance to be able to influence agenda setting.

However, despite possible first impressions of country's overall passivity in EU decision making, Latvia has been active and in many cases successful in achieving that the final outcome takes into account country's demands. This has especially been the case in the areas of budget and Common Agricultural Policy, as well as energy and environment, with the country qualified as a Policy Driver on most of the issues selected in this study. This can be explained by Latvia's specific situation in these areas:

1. Latvia's active position on budget review is determined by the fact that Latvia is one of the poorest EU Member States and thus sees EU funds as a means to achieving EU average income levels. But Latvia's active position on CAP health check is defined by the strong farmers lobby, with 7.4% of the country's labour force being employed in the sector, and Latvia nonetheless currently receiving the lowest levels of direct payments in EU-27, which makes Latvia's agricultural products less competitive in the internal market.<sup>1</sup> As a result of Latvia's interests and the strong national consensus on the issues, Latvia continues to fight for equal direct payments to farmers in all Member States.
2. Latvia's active position on energy and environment is determined by Latvia's specific interests in this field: the country is dependent on Russia's energy, the Baltic electricity market is isolated from the rest of Europe, and the country wants to secure emissions quotas that do not limit economic growth. As a result, the country has appealed the Commission's decision to grant only 44.5% of the requested quota, and has achieved that a high-level working group in the leadership of the Commission will work on possible intra-connections of the Baltic electricity market with Sweden.

Among other priority issues for Latvia is the support for EU enlargement, EU relations with eastern neighbors, and the Services Directive.

With the learning phase of being a New Member State coming to a close, it is predictable that Latvia, too, will become stronger in defending its interests on EU level using all channels of influence, including the increasing number and qualifications of Latvians working in the EU institutions as well as the engagement of the non-governmental sector. In particular, it is likely that we will see the country's positions on energy and migration becoming more defined as non-governmental organisations increase their capacity and become more involved on these issues.

From another perspective, Latvia's positions on issues like EU-Russia relations, migration policy and the integration of minorities and migrants may change, if the left-wing parties like the Harmony Centre or "For Human Rights in a United Latvia" (which primarily represents the Russian-speaking voters) come to power.<sup>2</sup> This may also affect the likely coalition patterns of the country. Until now in most of the cases Latvia has closely cooperated with other New Member States and the Scandinavian countries.

Moreover, Latvia's level of activity on EU issues is likely to be affected by the current economic and political crisis. With economic development slowing down and state revenues decreasing, Latvian government had to ask for a of EUR 7.5 billion loan from

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<sup>1</sup> As Latvian farmers receive less support from EU, the production costs and hence the price of their product is higher than the price of agricultural products from other EU countries where farmers receive more generous subsidies.

<sup>2</sup> According to a January 2009 opinion poll by Latvijas Fakti, none of the current ruling coalition parties would meet the 5% electoral threshold if the elections were held tomorrow, whereas Harmony Centre is the most popular party among politically disillusioned voters, attracting 9% support.

the international community.<sup>3</sup> While unemployment figures have been on the rise, with 8.3% in January 2009,<sup>4</sup> more unpopular decisions on cutting public spending and increasing state revenues have to be taken. But only 10% of citizens trust the national Parliament and the government faces unprecedented legitimacy problems; 13 January 2009 saw the first mass riots in Latvia's post-independence history; while farmers' protests in January and February 2009 forced the resignation of the Agriculture Minister. Thus, the current government will most likely fall before the 6 June municipal and European Parliament elections. This will keep the focus off of EU issues and on national developments, not least with the civil servants constrained by drastic public spending cuts, reorganisation plans and quite possibly a change of political leadership.

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<sup>3</sup> The International Monetary Fund, European Commission, World Bank, the European Bank for Reconstruction and Development, the Nordic countries, the Czech Republic, Poland and Estonia have made loan commitments to Latvia that would amount to EUR 7.5 billion during the next three years.

<sup>4</sup> Unemployment was 4.9% in March 2008, 5.6% in September 2008 (State Employment Agency data).

## I. Internal market and Lisbon Strategy

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### 1. Overview

Latvia's position on internal market issues is influenced by the state of the country's economy. Being one of the poorest EU countries,<sup>5</sup> since 2000 Latvia's economy had expanded at an average rate of over 9% a year, which has been the fastest growth in the EU. However, the 2008 data reveal a drastic change in this trend: according to the Central Bureau of Statistics, GDP growth in the last quarter of 2008 was a down - 10.5%, in comparison to the data of the last quarter of 2007. This reveals that the GDP increase was largely dependent on a "real estate bubble", the temporary willingness of foreign-owned banks to grant loans to fuel the economy, and pay hikes being steeper than productivity increases. When the flow of global capital stopped, it made Latvia's overheated economy especially vulnerable. Unemployment figures have been on the rise with 8.3% reported in January 2009.<sup>6</sup> With economic development slowing down and state revenues decreasing, the Latvian government had to ask for a loan from the international community. The International Monetary Fund, the European Commission, the World Bank, the European Bank for Reconstruction and Development, the Nordic countries, the Czech Republic, Poland and Estonia have made loan commitments to Latvia that amount to EUR 7.5 billion during the next three years. On its behalf, the Latvian government committed itself to maintain the exchange rate pegged to the Euro, cut fiscal spending (especially by reducing public sector wages), and increase the VAT and excise tax (on tobacco, alcohol and gasoline). The current crisis is likely to affect Latvia's future positions on the EU internal market.

However, Latvia's general interests in this area are the development of human resources and the enhancement of employment, entrepreneurship and innovation. There is a national consensus on general liberal economic policies that include increasing competitiveness and removing obstacles to business activities, with successive governments and business groups supporting these policies.

The priority issues for the country are:

1. The Services Directive, where Latvia's position is conditioned on the facts that it is a country of export of services, and that Latvian companies have had negative experiences working in other EU countries. Latvia has a strong position on this Directive, in line with its overall liberal economic policy, and is likely to remain a Policy Driver on this issue.
2. Free movement of persons. This question is essential for Latvia, which has been requesting the lifting of the transitional period of this principle and has supported the Commission's recommendation in this regard. Latvia is a Policy Driver on this issue, supporting more liberalisation. However, there is a potential for the country to become a Policy Killer if more protectionist policies are introduced to protect the local labour market.
3. Small Business Act. Small and medium-sized businesses make up the largest part of companies established in Latvia, ensuring a significant contribution to GDP growth. Hence, any measures enhancing the

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<sup>5</sup> In 2008 Latvian GDP per capita constituted 53% of the EU average. See Eurostat for details, <http://ec.europa.eu/eurostat/>

<sup>6</sup> Unemployment was 4.9% in March 2008, 5.6% in September 2008 (State Employment Agency data).

development of small and medium-sized enterprises (SMEs) are a significant precondition for Latvia's development and competitiveness. Latvia fully supports the Commission's proposals, but its position is in the EU mainstream so the country is Policy Taker on this issue.

### Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities Free movement of services Free movement of workers Small Business Act	Policy Driver Policy Driver; potential to become Policy Killer Policy Taker	Strong national consensus Strong national consensus General consensus on policies	More liberal than EU mainstream More liberal than EU mainstream Within the mainstream
2.1. Review of merger regulations	Policy Taker	National consensus	Within the mainstream
2.2. Free movement of workers	Policy Driver; potential to become Policy Killer	Strong national consensus	More liberal than EU mainstream
2.3. Strategic review of "Better Regulation"	Policy Taker	General consensus on policies	Within the mainstream
2.4. Free movement of services	Policy Driver	Strong national consensus	More liberal than EU mainstream
2.5. Simplification Rolling Programme	Policy Taker	General consensus on policies	Within the mainstream
2.6. Taxation harmonisation	Policy Taker or Policy Killer	Consensus	
3.1. Small Business Act	Policy Taker	General consensus on policies	Within the mainstream
3.2. Financial retail services	Policy Taker	General consensus	Within the mainstream

## 2.1. General issues: Review of merger regulations

### **Definition: Policy Taker**

### **Outlook: Policy Taker**

Latvia supported the merger regulations, seeing in them the possibility to ease cross-border cooperation and merger possibilities for Latvian companies with companies established in other EU Member States.

Latvia brought its national legislation in line with the Directive 2005/56/EC regarding Cross-Border Merger of Limited Liability Companies, as well as the Directive 2007/63/EC as regards the requirement of an independent expert's report on the occasion of merger or division of public limited-liability companies. These amendments entered into force as of June 2008.

There is a national consensus on general liberal economic policies that include increasing competitiveness and removing obstacles to business activities, with successive governments and business groups supporting these policies.

Latvia is a Policy Taker on this issue and is likely to remain as such.

## 2.2. Free movement of workers across the EU and transitional periods

### **Definition: Policy Driver**

### **Outlook: Policy Driver/ Policy Killer**

Latvian citizens could not enjoy free access to labour markets of all EU Member States as of the first day of Latvia's EU accession on 1 May 2004. Only Sweden, Ireland and the UK applied one of the fundamental principles of the EU, i.e., the free movement of labour, for all New EU Member States in 2004.

This question is essential for Latvia. It has been requesting the lifting of the transitional period of this principle and has supported the Commission's recommendation in this regard. In its strategy document for membership in the EU,<sup>7</sup> Latvia emphasises that all citizens of the EU should have equal rights to use the opportunities of the internal market, adding that it is essential for the competitiveness of the EU to have a flexible labour market. This would also improve the welfare of the EU and help in achieving Lisbon Strategy goals.

The request to apply free movement of labour to all Member States' citizens is a question on which there is a strong national consensus. The Employers' Confederation of Latvia and the Free Trade Union Confederation of Latvia support this line.

Public opinion on this issue is also supportive of the official position. According to 2005 polls, every fifth Latvian (19% of respondents) said he planned to work abroad.<sup>8</sup> In addition, many Latvians have used their right to take on employment in another EU country. According to studies, an estimated 86-100 000 people or approximately 9% of Latvia's labour force had left the country in 2007, with other estimates being even higher.<sup>9</sup>

Greece, Spain, Italy, Portugal and Finland opened their labour markets to Latvians in 2006, with Luxembourg and the Netherlands following in 2007, and France following suit in July 2008. Currently only Belgium, Denmark, Germany and Austria still have restrictions in place for free movement of labour from the New Member States (EU-10).

Latvia applied no restrictions with regard to labour market access for the citizens of Bulgaria and Romania.

It is likely that Latvia's position might change in light of the current economic situation, with unemployment levels rising again (they fell to under 5% in 2007, but reached 8.3% in January 2009). This could mean that in the future Latvia could become more protective of its labour market, especially as the remaining restrictions for Latvian citizens in other EU countries should be lifted by May 2009 or, at the latest, by May

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<sup>7</sup> Latvijas dalība Eiropas Savienībā – pamatprincipi, mērķis, prioritātes un darbība 2007-2013 (Latvia's membership in the EU – basic principles, goals, priorities and action 2007-2013), Ministry of Foreign Affairs.

<sup>8</sup> Public opinion poll by SKDS, October 2005.

<sup>9</sup> Krišjāne, Zaiga (2007). *Darbspēka ģeogrāfiskā mobilitāte* (Geographic mobility of the labour force). University of Latvia, Ministry of Welfare.

2011, giving Latvians employment opportunities abroad and thus relieving pressure from the local labour market.

Latvia is a Policy Driver on this issue, supporting more liberalisation. However, there is a potential for the country to become a Policy Killer if more protectionist policies are introduced to protect the local (Latvian) labour market.

### **2.3. General issues: Positions on the Strategic review of "Better Regulation" package (COM (2006) 689) and ECOFIN conclusions, 22 January 2008**

#### ***Definition: Policy Taker***

#### ***Outlook: Policy Taker***

Annual national plans for the improvement of business environment have been implemented since 1999. These plans include cutting down administrative burden, easing of administrative procedures, and reducing the time that is needed to fulfil administrative requirements. Extensive research has been concluded in several areas where cutting red tape is necessary, such as administrative burden for self-employed persons; farmers who receive direct payments; entrepreneurs who need licenses for doing business; etc. According to the World Bank study, "Doing Business in 2008", Latvia ranked 22<sup>nd</sup> among 178 countries when business environments were compared.

These activities demonstrate that cutting down administrative burden for business activities is one of government's priorities. Hence, Latvia supported proposals on continued action in this field, stressing that cutting red tape should be done on an on-going basis and consistently as the successful functioning of the internal market requires simple and effective regulations. Latvia also strongly supported the idea to especially focus on measures enhancing the development of small and medium-sized businesses and increasing competitiveness. Latvia suggested paying more attention to the following of the 13 priority fields proposed by the Commission: statistics, tax and cohesion policies, food safety and public procurement.

Latvia also supported improving impact assessment systems to ensure that more qualitative and carefully evaluated decisions are taken in the Commission and other institutions.

Latvia's only reservation was linked to the costs of studying administrative burden – the country suggested evaluating the costs and benefits of these studies, and looking for more efficiency in this respect (not conducting unnecessary and ineffective tasks).

This position is in line with several business interest groups, including the Employers' Confederation of Latvia and the Latvian Chamber of Commerce and Industry. The Free Trade Union Confederation of Latvia also supports cutting red tape.

Latvia is a Policy Taker on this issue and the position is not likely to change.

### **2.4. General issues: General views of the free movement of services as enshrined in the current Services Directive**

#### ***Definition: Policy Driver***

#### ***Outlook: Policy Driver***

Free movement of services in the common market is essential for Latvia because of two factors:

1. Latvia is a country of export of services.
2. Latvia's companies (service providers) have had negative experiences working in other EU countries. The worst case involved a Latvian construction company, "Laval un Partneri", that was forced into bankruptcy because of the Swedish trade union blockade against the company for using cheaper Latvian labour on a construction site in Sweden. The incident dates back to 2004 when the trade unionists urged Laval, who was building a school in the Swedish city of Vaxholm, to pay higher Swedish wages to its workers. As the firm refused to do so, arguing that the minimum wage was not imposed across Sweden while their workers were not members of that particular trade union, the unionists pursued a blockade of the

construction site and forced the company to leave.<sup>10</sup> In December 2007 the European Court of Justice delivered a verdict announcing that the Swedish trade union blockade against "Laval un Partneri" was illegal.

The Latvian government repeatedly stressed that the proposals pushed by the more protective EU-15 were not in the interests of Latvian companies. It is in the interests of Latvia to decrease administrative obstacles and adopt equal regulations for all service providers in the EU because this would enhance competitiveness and increase the quality of services provided.

Emphasising the right to doing business and the free movement of services within the EU, Latvia was among the countries insisting on the "country of origin" principle being included in the Directive, i.e. that the short-term service providers in another EU country can work there according to the rules of the country of the service provider instead of the rules of the country where the services are being provided (in this case, allowing Latvian firms to provide services in other countries in accordance with the requirements of Latvian legislation).<sup>11</sup> Even though initially the country of origin principle was included in the draft directive,<sup>12</sup> it was deleted in the first reading in the European Parliament. Instead, the EP approved the freedom to provide services principle, according to which Member States must respect the rights of providers from other countries to provide services, and the Member States must allow access to providing services. In addition, the EP removed the conditions relating to posted workers and substantially narrowed down the Services Directive's areas of application, with port, temporary employment agency, health care, audio visual, social and security services being excluded from the scope of the Directive.<sup>13</sup> The EP's vote was accepted by the Council, and the Directive went into force on 28 December 2006.

Initially, Latvia categorically objected to the exclusion of the "country of origin" principle. According to the Latvian government, that would prevent the aim of the Services Directive — the creation of a unified EU services market — being achieved.<sup>14</sup> The Employers' Confederation of Latvia also strongly supported this principle. However, at a later stage Latvia adopted the approach "better this soft directive than no directive at all", as the attempts to find compromise between EU Member States and the EU institutions on the Directive were so difficult. Hence, Latvia came with detailed proposals on the need to clarify the draft directive, and specific wordings of it.

The level of consensus on this issue was wide-ranging among the coalition and opposition parties as well as the business community. The Latvian Chamber of Commerce and Industry said that the directive would be useless if it did not include the "country of origin" principle, and it stressed the four basic freedoms of the EU, including the freedom of movement of services. The Employers' Confederation of Latvia (LDDK) also said that it saw little use for the Directive without the "country of origin" principle, stressing that the freedom to establish businesses does not compensate for the loss of this principle in the Services Directive. LDDK and the employers' confederations of other EU Member States with the Union of Industrial and Employers' Confederations of Europe (UNICE) sent letters to the members of the European Parliament, asking them to vote against the weakened Directive. Both organisations also opposed the proposal to exclude gambling services from the scope of the Directive.

However, the trade unions — the Free Trade Union Confederation of Latvia — had a more protectionist view, agreeing that the "country of origin" principle should be deleted from the Directive, and proposed more research being done before the formulation of the official position.

The official position was supported by the public at large, as Laval's case (see above) caused public uproar and sympathy.

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<sup>10</sup> EU labour law case to stir passion between 'old' and 'new' states, EU Observer, Lucia Kubosova, 10 January 2007.

<sup>11</sup> "Latvijas dalība Eiropas Savienībā – pamatprincipi, mērķis, prioritātes un darbība. 2007.-2013."

<sup>12</sup> On 29 November 2005 the draft directive was discussed in the Council.

<sup>13</sup> The Commission's proposal already included exceptions for financial, electronic communication and transport services, as well as services that are linked to exercising state authority.

<sup>14</sup> Latvian Economics Minister in discussions on the EU Services Directive and common energy policy, 14 March 2006, MFA press release.

Latvia has a strong position on this Directive, in line with its overall liberal economic policy. The change in position (initially insisting on the "country of origin" principle, and later agreeing to the compromise) cannot be considered as defeat but realisation that the legislation would not be approved at all, if no compromise between Member States and the European Parliament would be found.<sup>15</sup> Latvia, among other countries, intensively worked on securing that all EU states have the duty to screen all legislation applying to services. Therefore, the Latvian government thought that the deal agreed upon still "gave a value added to implementing free movement of services".<sup>16</sup> Now Latvia's rhetoric on the Directive includes a call for complete, timely and consequent implementation of the Directive that would be a positive contribution to cross-border service providers, business environment and cutting red tape.

The country is a Policy Driver on this issue, and is not likely to change its position.

## **2.5. General issues: EC Simplification Rolling Programme after screening the acquis**

### **Definition: Policy Taker**

### **Outlook: Policy Taker**

On this issue Latvia's position did not differ largely from the Commission's proposal. Latvia is supporting cutting red tape, simplifying normative acts and improving the impact evaluation system, including the need to improve cooperation with the non-governmental sector. Latvia's only reservation was against the proposed deadlines for cutting red tape (quantitative goal to cut red tape until October 2008 and identify priority areas and complete measurements until March 2009), but as the issue was not discussed in the Council, Latvia agreed to the deadlines given their flexibility and political nature.<sup>17</sup>

The biggest business interest lobbies supported this position. The Latvian Chamber of Commerce and the Industry and Employers' Confederation of Latvia support policies enhancing the business environment. The Free Trade Union Confederation of Latvia also supports cutting red tape.

On this issue Latvia can be qualified as a Policy Taker.

## **2.6. General issue: Positions on taxation harmonisation**

### **Definition: Policy Taker/ Killer**

### **Outlook: Policy Taker/ Killer**

Latvia's position on tax harmonisation differs depending on whether it is the harmonisation of direct or indirect taxes. While Latvia is against the harmonisation of direct or income taxes, Latvia is in favour of value added tax harmonisation, as that is set out in the treaties.

Latvia argues that its position against any harmonisation of direct taxes is based on the idea that harmonised direct taxes would decrease Latvia's competitiveness in the EU and, the country argues, would also decrease the global competitiveness of the EU.<sup>18</sup> Latvia's strategy for EU membership in 2007-2013 says that the country would be strictly against the harmonisation of the company income tax base, as that would complicate the tax system.

As to value added tax rates, Latvia supported the Commission's proposal to introduce a new value added tax rate system, as the one defined by Council Directive 2006/112/EC is temporary. Latvia's position was based on the idea that harmonisation of the VAT rate system would ease tax administration. Latvia was supportive of decreasing the standard and the reduced VAT rates in the EU, as well as a possible increase of the rates conditional to no price hikes. The country also supported the idea of applying 0% VAT to goods of prime necessity in all EU Member States.

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<sup>15</sup> In the European Council of March 2006, Commission president Jose Manuel Barroso said that the countries have to accept the vote in the European Parliament, or there would be no Directive at all.

<sup>16</sup> *Ziņojums par nozaru politiku virzību Somijas prezidentūrā un plānoto attīstību Vācijas prezidentūrā (2006.gada jūlijs – 2007.gada jūnijs)*, 15 January 2007, Ministry of Foreign Affairs.

<sup>17</sup> Latvia's position on the Better Regulation package, COM (2006)689.

<sup>18</sup> "Latvijas dalība Eiropas Savienībā – pamatprincipi, mērķis, prioritātes un darbība. 2007.-2013."

Latvia is a Policy Taker on the harmonisation of VAT rates, while it is a clear Policy Killer on harmonisation of direct taxes. It is unlikely that these positions will change.

### **3.1. Specific issues: Small Business Act (SBA) (COM (2007) 592)**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Small and medium-sized businesses make up the largest part of companies established in Latvia, ensuring a significant contribution to GDP growth. Hence, any measures enhancing the development of small and medium-sized enterprises (SMEs) are a significant precondition for Latvia's development and competitiveness. Latvia's strategy for EU membership in 2007-2013 includes a goal to reach the EU average with 50 SMEs per 1000 inhabitants. The government joined the European Charter for Small Enterprises in 2002.

Latvia fully supports the Commission's proposals seeking to help small businesses in the EU by reducing obstacles and creating an environment that is friendly to small businesses. Latvia also agrees to the inclusion of these plans in the national Lisbon Strategy programmes because it would ensure an integrated approach to solving problems linked with SMEs.

Latvia sees the introduction of easier conditions for attracting funds as the main support tool for SMEs with high development potential, as well as strengthening of business activities and research, and enhancing the availability of standards. Latvia also supported the Commission's proposals on using the opportunities offered by the internal market and easing the access to public procurement for SMEs.

According to Latvia's position, there is a need to inform customers about new and existing sustainable products that are environmentally friendly and produced by efficient use of energy and resources. Here the support for energy audits would be needed, as well as gradual introduction of "green public procurements" in the public and private sector.

Business interest groups also supported the official position. For example, the Latvian Chamber of Commerce and Industry issued a statement inviting the Council to adopt the SBA as quickly as possible.

On this issue Latvia can be qualified as Policy Taker, and is likely to remain as such.

### **3.2. Financial retail services (SEC(2007)1520)**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supports the initiative for integrated European market for financial services for the period 2005-2015. Latvia's reply to the Green Paper on Financial Services (COM (2007) 226 final) was also positive. Latvia especially stressed the need to decrease prices and increase the quality of financial retail services, as well as the need to increase customer awareness that would consequently contribute to increased competitiveness. Latvia also supported proposals that would increase the mobility and comfort of customers to take on bank loans in another EU country, for example, by making the information on customers' loan history available to other EU countries.

Latvia is a Policy Taker on this issue, and is not likely to change its stand.

## II. Minority integration and citizenship issues

1. Overview
2. General Issues:
  - 2.1. The emerging European Roma Strategy
  - 2.2. Other minorities' integration issues
3. Specific issues:
  - 3.1. Formulation of action plans to improve housing conditions, create possibilities for employment and guarantee affordable health care and education for Roma;
  - 3.2. Institutionalisation of European policy on Roma by establishment of a Roma Unit within the EC;
  - 3.3. Position and policies related to Commission Communication COM(2008) 420 final from 2 July 2008 on Non-discrimination and Equal Opportunities: A Renewed Commitment and also Community Instruments and Policies for Roma Inclusion, Staff working document accompanying Commission Communication COM(2008) 420.

### 1. Overview

Latvia's interests in this area are determined by its specific situation. Firstly, approximately 45% of Latvia's population has the Russian language as a mother tongue, with approximately 16% of Latvia's population holding a special non-citizens passport (January 2008 data). The country has established policies increasing the use of Latvian language in public life. One of the long-time coalition parties, the nationalistic For Fatherland and Freedom/ LNNK, continues to issue statements that tend to isolate the Russian-speaking population. Secondly, the country's record of anti-discrimination regulation needs improvements as, according to the European Commission against Racism and Intolerance (ECRI), discrimination in Latvia is manifested in daily communication especially towards representatives of a different race, religion, nationality, and ethnicity.<sup>19</sup> Thirdly, the country is slowly coming to terms with the fact that it is not only a sending, but also a receiving country of migrants. According to 2007 study, approximately 86-100 000 people had left to live in another EU country. At the same time, the number of third-country nationals legally employed in the country doubled in one year (in 2007, if compared against the data of 2006), which has made the need to reassess country's integration policies.

Latvia's priorities in this area are the following:

- Integration of Russian-speaking population and non-citizens,
- anti-discrimination directive,
- integration of immigrants: third-country nationals.

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<sup>19</sup> European Commission against Racism and Intolerance (29.06.2007). The third report on Latvia. Strasbourg: ECRI, p.26

## Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities: Integration of Russian-speaking population Anti-discrimination directive Integration of immigrants	National, not EU domain Policy Taker, with the exception of norms relating to sexual minorities Policy Taker	No national consensus No national consensus No national consensus	
2.1. The emerging European Roma Strategy	Policy Taker		
2.2. Other minority integration issues	n.a.	n.a.	
3.1. Formulation of action plans for Roma	Policy Taker		
3.2. Institutionalisation of European policy on Roma	Policy Taker		
3.3. Position and policies related to Commission Communication on Non-discrimination and equal opportunities: A renewed commitment and also Community Instruments and Policies for Roma Inclusion	Policy Taker		

### 2.1. General issue: The emerging European Roma Strategy

Latvia does not have a very active position on the issues relating to Roma because of the relatively low number of Roma living in the country. According to the official statistics, in 2006 there were approximately 8 500 Roma living in Latvia, comprising 0.3% of country's population. Researchers and Roma non-governmental organisations, however, suggest that the actual number of Roma in Latvia might be between 15 000-18 000 which would be 0.6-0.8% of Latvia's population. The relatively low number of Roma in Latvia is also a reason why Latvia is not participating in the initiative, "Decade of Roma Inclusion 2005-2015".

The biggest problem areas for the integration of Roma in Latvia are education, employment, public intolerance and discrimination against the Roma Community. For example, 43% of Latvians would not like to have Roma as neighbours.<sup>20</sup> To achieve improvements in these areas Latvia has established a National Programme for the Integration of Roma 2007-2009.

The relatively low numbers of Roma living in Latvia make the country a Policy Taker on all issues relating to Roma.

### 2.2. General issue: Other minority integration issues

For Latvia the following three minority integration issues are important:

1. Integration of the Russian-speaking population: non-citizens.

Non-citizens, the vast majority of them Russian, are people without Latvian citizenship or the citizenship of another country. This legal status was created as a transitional measure for permanent non-Latvian residents, most of whom arrived in Latvia during the Soviet era and lost the citizenship of the Soviet Union in 1991 when Latvia regained its independence. Latvian leaders at the time decided not to grant so-called "automatic" citizenship to all permanent residents, and introduced a naturalisation procedure according to which a person has to pass language and Latvian history exams in order to receive the country's citizenship. Non-citizens — 16% of Latvia's population according to January 2008 data — enjoy no political rights (they can't vote or stand as candidates in national or municipal elections).

It is important for Latvia to enhance the integration of these people, especially those who do not speak Latvian (the official state language). Two political parties currently

<sup>20</sup> Ethnic Tolerance and the Integration of Latvian Society (Etniskā tolerance un Latvijas sabiedrības integrācija). Rīga: The Baltic Institute of Social Sciences, 2004.

represented in the Saeima are strongly supporting more rights for the Russian-speaking community in Latvia. However, they have always been in opposition, which limits their influence. Moreover, one of the current coalition parties, the nationalistic For Fatherland and Freedom/ LNNK (TB/LNNK) in April 2008 issued a resolution supporting policies enhancing the emigration of "non-Latvians", restricting the immigration of "non-Latvians" and enhancing the assimilation of non-Latvians in Latvian environment.

This is Latvia's domestic issue and is not linked to developments in the EU.

## **2. A comprehensive anti-discrimination directive: the Commissions' Proposal for a directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation.**

This issue is of interest in Latvia, especially with regard to people with different sexual orientation as the society is rather intolerant to homosexual people and their rights. According to a study, the majority of Latvians have a more or less negative attitude towards sexual minorities. 21% of respondents had very negative attitudes, while 61% have negative attitudes against gay and lesbian people. Moreover, the society is very fragmented when it comes to policies towards sexual minorities: 33% want a more intolerant policy, 18% support a more liberal policy, while 28% think that state policy towards homosexual people should remain unchanged.<sup>21</sup> There have been incidents with the participants of Gay Pride being verbally and physically attacked in 2005 and 2006. According to the European Commission against Racism and Intolerance (ECRI), discrimination in Latvia is manifested in daily communication especially towards representatives of different race, religion, nationality, and ethnicity.<sup>22</sup>

Public attitudes are strengthened by fragmented opinions among the political elites. For example, parliamentarians from the Christian conservative coalition party Latvia's First Party (LPP), nationalistic current coalition party TB/LNNK, current coalition party the Greens' and Farmers' Union, the opposition leftist Harmony Centre, as well as several independent MPs, voted against the ban on discrimination on grounds of sexuality, when the Saeima was amending Latvia's Labour Law in 2006. The heated parliamentary debates included statements from Janis Smits, a member of the Christian conservative LPP and currently the head of the human rights committee in the Latvian parliament, that the amendment would "open the gate for paedophilia, pederasty, bestiality and other forms of perversion". Other members of the LPP called homosexuality "a sin" and homosexual people "degenerate". As the Christian conservative party LPP holds the position of Special Assignments Minister for Social Integration, the issues of minority integration has been under the strong influence of the church (although the state is divided from the church in Latvia). In the case of sexual minorities, there has been a strong preference to avoid the issue altogether. For example, in the European year of Equal opportunities for All, the Special Assignments Minister for Social Integration chose to marginalise anti-discrimination on the grounds of sexual orientation and instead focused on equal opportunities for other minority groups.

There are several non-governmental organisations strongly supporting the rights of the homosexual minority, for example, Mozaika, ILGA-Latvia, Dialogi, and the Soros Foundation-Latvia. At the same time, there are non-governmental organisations that support the hard-line intolerant position, for example, NoPride, which has listed as one of its goals the fight "against the opinion that the homosexual lifestyle is proper and even recommended, which is forced upon Latvian society by the EU through mass media, various political parties and non-governmental organisations sponsored by the EU".<sup>23</sup>

Latvia is not interested in the harmonisation of norms in many fields of this directive, with a preference to flexibility depending on national legislation. The business community in Latvia could also oppose too-liberal norms, for example, the Confederation of European Business "Business Europe" opposed this legislation, and

<sup>21</sup> Latvia's public attitude towards sexual minorities: yearly tendencies (Latvijas iedzīvotāju attieksme pret seksuālajām minoritātēm: gada tendences). Rīga: Dialogi.lv, Viktors Makarovs, 2007.

<sup>22</sup> European Commission against Racism and Intolerance (29.06.2007). The third report on Latvia. Strasbourg: ECRI, p.26

<sup>23</sup> Website of NoPride organisation [www.noprider.lv](http://www.noprider.lv) . Last accessed in December 2008.

the Employers' Confederation of Latvia (LDDK) is associated member of this European business interest group. LDDK sees the proposal as a burden to service providers and employers. LDDK also stressed that the proposed legislation would not achieve the set goals that could be reached by better implementation of the existing legislation.

This highly sensitive context makes Latvia interested in the details of the proposed directive, with potential of Latvia becoming a Policy Killer if too-liberal norms are proposed.

### **3. Integration of immigrants: third-country nationals.**

Moves towards more EU policies on the integration of immigrants have become topical in Latvia in the last years, when the emigration of Latvians (approximately 9% of the labour force) has caused labour shortages and consequent pressure to employ third-country nationals. The numbers of legally employed third-country nationals doubled in 2007, in comparison to 2006 (approximately 2000 in 2006, and over 4000 in 2007). The data for 2008 suggest a decreasing tendency influenced by the economic crisis and relocation of human resources.<sup>24</sup> However, no state policy on the integration of immigrants has been established, although immigrants face several challenges like limited access for temporary residents to services provided by the state; absence of state policy to teach Latvian language; lack of state policy for housing for immigrants; limited political rights and hostile public opinion against immigrants.<sup>25</sup>

The European Fund on the Integration of Third Country Nationals should start addressing some of these problems. However, the political environment for the integration of immigrants is not unanimously supportive. One of the current coalition parties, the nationalistic For Fatherland and Freedom/ LNNK (TB/LNNK) in April 2008 issued a resolution supporting policies enhancing the emigration of "non-Latvians", restricting the immigration of "non-Latvians" and enhancing the assimilation of non-Latvians into the Latvian environment. TB/LNNK has the post of Minister of Economy in the current government, and has been one of the factors slowing down the adoption of more flexible and less costly procedures for the employment of third-country nationals.

On the other hand, the Employers' Confederation of Latvia is supportive of stronger and favourable state policies helping the integration of immigrants, as currently the burden is on the individual or the employer (for example, to learn Latvian). The Latvian Center for Human Rights and the Soros Foundation-Latvia are among non-governmental organisations advocating a more liberal approach to the integration of immigrants.

However, Latvia's position on this important issue does not seem to be very active. Latvia is interested in the exchange of good practices because different Member States have different problems. The national political environment (positions of TB/LNNK, public attitudes towards immigrants) does not make it possible for the country to be an active policy promoter on this issue on EU level. Thus, Latvia can be qualified as a Policy Taker.

#### **3.1. Specific issue: Formulation of action plans for Roma**

Latvia does not have a very active position on the issues relating to Roma because of the relatively low number of Roma living in Latvia. Therefore the country is a Policy Taker on this issue.

#### **3.2. Specific issue: Institutionalisation of European policy on Roma**

Latvia does not have a very active position on the issues relating to Roma because of the relatively low number of Roma living in Latvia. Therefore the country is a Policy Taker on this issue.

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<sup>24</sup> Approximately 2 900 work permit invitations were approved for third-country nationals in 2008. Source: State Employment agency data.

<sup>25</sup> *Learning to welcome: the integration of immigrants in Latvia*. Rīga: Center for public policy PROVIDUS, Iveta Kešāne, Rita Kaša, 2008

**3.3. Specific issue: Position and policies related to Commission Communication on Non-discrimination and equal opportunities: A renewed commitment and also Community Instruments and Policies for Roma Inclusion.**

Latvia does not have a very active position on the issues relating to Roma because of the relatively low number of Roma living in Latvia. Therefore the country is a Policy Taker on this issue.

### III. Energy and climate

1. Overview
2. General issues:
  - 2.1. Strategic energy review (2007) and positions towards 2010-2014 energy action plan
  - 2.2. The post-Kyoto/post-2012 proposals — the global dimension
  - 2.3. Commitment to meet the benchmarks for greenhouse emissions
  - 2.4. Strategy and commitment to increase the share of renewable sources
  - 2.5. Strategy towards nuclear energy
  - 2.6. Implementation of the revised Emission Trading Scheme
  - 2.7. External dimension of energy security
3. Specific issues:
  - 3.1. Liberalisation of the energy market — 3<sup>rd</sup> energy package (unbundling)
  - 3.2. Common rules for the internal market in electricity (COM(2007) 508), cross border exchanges in electricity (COM(2007) 531), common rules for the internal market in gas (COM(2007) 529), access conditions to the gas transition network
  - 3.3. Establishment of the Agency for Co-operation of Energy Regulators (COM(2007) 503)

#### 1. Overview

Latvia's interests in this area are defined by several factors. Firstly, Latvia is dependent on Russia's energy sources. Currently only some 30% of local energy consumption is produced in Latvia, with 70% being imported from Russia, Estonia and Lithuania. The decommissioning of Lithuania's Ignalina nuclear power plant by December 2009 will further decrease available resources. At the same time, according to estimates, energy consumption in Latvia is likely to double by 2030.<sup>26</sup> Secondly, Latvia is affected by the isolation of the Baltic energy market from the rest of Europe. Thirdly, there are strong interests to secure policies — for example, emissions quotas — that do not limit further economic growth.

These strong interests make Latvia a Policy Driver on many of the issues in this area. The priority issues for Latvia are:

1. Emissions quotas, where Latvia has appealed the Commission decision to grant 44.5% of the requested quota;
2. Intra-connection with Sweden, where Latvia has achieved that a high-level working group under the leadership of the Commission will draw up an action plan based on which a decision will be made whether the intra-connection will be made with Latvia or Lithuania;
3. The external dimension of energy security, where Latvia insists on energy security and the need to work with Eastern Partnership countries.

The latest gas crisis of January 2009, however, had no direct effect for the country as Latvia receives its energy from Russia directly (not via Ukraine). However, Latvia's position was clear: the EU's priority is to secure its energy supply. Thus, Latvia welcomed the active involvement of Energy Commissioner (Latvian Andris Piebalgs) and the Czech Presidency in facilitating an agreement between Kiev and Moscow. According to Latvia's Foreign Affairs Minister Māris Riekstiņš, this conflict once again demonstrated how important it is to work on energy security issues in the EU, on a practical level, including the cooperation with Eastern Partnership countries.<sup>27</sup>

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<sup>26</sup> According to Eurostat, energy consumption in Latvia increased by 3% in 2006 in comparison to 2005 (in Estonia and Lithuania energy consumption has decreased by over 2%).

<sup>27</sup> Ministry of Foreign Affairs press release of 12 January 2009.

## Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities Emissions quotas Intra-connection with Sweden External dimension of energy security	Policy Driver/ Killer, if too low quotas are proposed for Latvia Policy Driver Policy Driver	Strong national consensus National consensus on the general policy National consensus on the general policy	Outside the mainstream Specific Baltic interest Within the mainstream
2.1. Strategic Review	Policy Driver; likely to remain Policy Driver	National consensus	
2.2. Post-Kyoto	Policy Driver; likely to remain Policy Driver	National consensus on general policy	Within the mainstream
2.3. Greenhouse emissions	Policy Driver/ Killer Policy Driver/ Killer	Strong national consensus, with some minority positions	
2.4. Renewables	Policy Driver; likely to remain Policy Driver	National consensus	Within the mainstream
2.5. Nuclear energy	Policy Taker; likely to remain Policy Taker	Dividing positions, lukewarm consensus	
2.6. Emissions Trade	Policy Driver; likely to remain Policy Driver	National consensus, with some minority positions	
2.7. External Dimension	Policy Driver; likely to remain Policy Driver	National consensus on the general policy	Within the mainstream
3.1. 3 <sup>rd</sup> Energy Package	Policy Driver; likely to remain Policy Driver	National consensus	Specific Latvian/Baltic interests
3.2. Common rules	Policy Driver; likely to remain Policy Driver	National consensus	Specific Latvian/Baltic interests
3.3. Regulator's Cooperation	Policy Taker; likely to remain Policy Taker	Consensus on general policy	Within the mainstream

### 2.1. General issues: Strategic energy review (2007) and positions towards 2010-2014 energy action plan

**Definition: Policy Driver**

**Outlook: Policy Driver**

According to the basic principles of energetics for 2007-2016, the main goals for Latvia are:

- To end the high dependency on import of primary energy sources;
- To ensure secure energy supply with additional output in the long term (after 2010), including the need to diversify energy sources by participation in the construction of a new power plant in Lithuania;
- To end the isolation of the Baltic gas and electricity market, by creating connections with other EU countries;
- To increase energy efficiency.

In the declaration of the current government, the cabinet promises to enhance the inclusion of Latvia in EU energy networks, ensuring that the necessary intra-connections are made with other EU countries. The government's declaration also notes the need to develop base strengths; the need to diversify energy suppliers and energy sources, supporting renewable energy usage and energy efficiency, for example, reaching 7% of renewable energy share in the overall energy consumption. The government also supports the use of EU structural funds to support investments in

projects increasing energy efficiency (for example, ensuring the heat insulation of 200 apartment buildings). Finally, the declaration mentions that Latvia's interests will be ensured in the new Ignalina nuclear power plant project.

Latvia supports the Commission's energy package overall, stressing that European energy policy should be oriented towards three goals: limiting EU's dependency on hydrocarbon imports, enhancing economic development and the creation of new jobs, and ensuring that energy resources are accessible and reasonably priced, at the same time not worsening the environmental conditions. Latvia emphasises the need to find a reasonable economic solution that would be balanced between climate change policies and the need to ensure the EU's sustainable competitiveness.

Business interest groups, such as the Employers' Confederation of Latvia, stress the need to establish global measures so that EU companies would not have to compete against non-EU companies with more favourable conditions.

Several environmental non-governmental organisations, on the other hand, urge the government to adopt the European Climate and Energy Package, introducing strict policies to build secure and sustainable energy systems with the potential to replace fossil fuels with renewables, and to invest in energy efficiency. The Soros Foundation-Latvia, Green Liberty, Latvian Green Movement, Friends of the Earth-Latvia, Environmental Protection Club, among other NGOs from the former communist countries that joined the EU in 2004 and 2007, signed an open letter to the governments of Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia and the Baltic States including these and other demands. Among the demands was to participate in the Emission Trading Scheme with 100% auctioning for the energy sector.<sup>28</sup>

Latvia is also one of the strongest supporters of a common European energy policy and the need to find alternative energy sources to decrease the dependency on Russia.

More detailed national positions on the selected specific issues are described below.

Given the strong and particular interests in this sector, Latvia can be defined as a Policy Driver or even Policy Killer on energy policy, especially with regard to emissions quotas. It is unlikely that Latvia's position would change in short term, as the situation in energy sector in Latvia will not change rapidly.

## **2.2 General issues: The post-Kyoto/post-2012 proposals – the global dimension**

### ***Definition: Policy Driver***

### ***Outlook: Policy Driver***

Latvia supports the need to plan the reduction of greenhouse gas emissions for the post-2012 period, stressing that the Kyoto protocol is only one step in the direction of limiting climate change. Latvia emphasises that measures introduced in this area have to be effective, refraining from establishing additional bureaucracy, and that the goal to limit climate change should be seen in the context of Lisbon Strategy goals.

One particular issue for Latvia is linking climate change with economic growth of the New EU Member States, as adopting strict greenhouse gas emission targets may limit the growth potential of new EU Member States attempting to reach EU average income levels.

Latvia believes that the negative consequences of climate change can be decreased only when measures are taken on the global scale, including developed and developing countries, in accordance to their abilities. Thus, Latvia praised the compromise reached in the Council that the EU would adopt 30% emission reduction targets if a corresponding agreement is made on the global scale. The country supported the need to conduct a detailed impact assessment for introducing 30% emission reduction targets, and for calculating the responsibility of each Member State on equal criteria.

The country also praised the compromise reached in the Council that the progress made with regard to Kyoto targets should be taken into account when deciding on new targets for each Member State. Latvia is among the Member States that have already achieved remarkable progress in this area in the period of 1990-2005 (fulfils Kyoto

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<sup>28</sup> See "Open Letter to the Heads of Governments of Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia", 24 November 2008.

targets), as a result of falling industrial output and improved environmental standards, and should thus be rewarded by corresponding lower targets.

Latvia is a Policy Driver on this issue, and it is unlikely that this position would change in the short term.

### **2.3. General issues: Commitment to meet the benchmarks for greenhouse emissions**

**Definition: Policy Driver/ Killer**

**Outlook: Policy Driver/ Killer**

Latvia signed the Kyoto Protocol in 1998, and ratified it in 2002. It determines that the country will reduce greenhouse emissions from 2008-2012 by 8% compared to the 1990 level. At the moment, emissions of gases causing the "greenhouse" effect are one of the lowest in Europe (the emission equivalent per capita is low). According to the Carbon Market Data study, in 2007 Latvia's industry produced 2.43 tonnes of CO<sub>2</sub>, which was a 2% decrease compared to the 2006 data (while the data for the whole EU indicate a 1.13% increase of CO<sub>2</sub>).

Latvia's interests in this area are conditioned on:

- The need to adopt policies that would not limit economic growth;
- The relatively large investments needed to implement the targets for greenhouse gas emission reduction (the estimated investments needed in Latvia are twice as large as on average in the EU).

Latvia stresses that the proposed distribution of emissions quotas between Member States causes significant obstacles for competition for Member States with low emission levels, like Latvia. Practically this would mean that the construction of new, relatively large equipment — for example, energy production equipment — would be impossible, as the emissions quota would not suffice. This could in turn create obstacles for reaching Lisbon Strategy goals: if not enough investments are made in infrastructure, new jobs are not created and EU companies lose competitiveness in international markets.

Initially, the Commission had proposed that Latvia would be granted an annual quota of 3.28 million tonnes for 2008-2012, which was about 57% lower than what the government had calculated as necessary (6.25 million tons). The Commission's proposal was based on 2005 data for emissions, GDP growth and the planned emission reduction. However, it did not take into account the construction of new objects that would contribute to higher emission levels. Through extensive work with the European Commission, Latvia managed to secure that the emissions quota was increased by 20% (to 3.43 million tonnes, Commission's decision of July 2007), which is the highest increase among the EU Member States (with the exception of Lithuania and Slovakia, which plan to close their nuclear plants).

As this would still constitute only 44.5% of the quota requested from the government, the reaction was heated, as this would not take into account two large infrastructure projects planned in the country (the modernisation project of state energy company Latvenergo, and building the "Cemex" cement plant). Business interest groups, such as the Employers' Confederation of Latvia, requested that the government turn to the European Court of Justice to appeal the Commission's decision, as it would imperil Latvia's industry. The government decided to challenge the Commission's decision in the European Court of Justice, indicating that the increase was insufficient (similar requests came from Poland, the Czech Republic, Hungary, Slovakia and Estonia). Environment protection organisations,<sup>29</sup> on the other hand, dismissed the government's decision, emphasising that larger emissions quotas would give fewer incentives for companies to invest in environmentally-friendly solutions.

Given the strong interests and activities on this issue, Latvia's position can be defined as Policy Driver or even Policy Killer, when too high targets for Latvia are proposed. It is unlikely that this position will change.

### **2.4. General issues: Strategy and commitment to increase the share of renewable sources**

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<sup>29</sup> Organisations "Zaļā brīvība", "Latvijas Zaļā kustība", "Latvijas Piesārņojuma profilakses centrs", "Vides aizsardzības klubs" and "Latvijas zemes draugi".

**Definition: Policy Driver****Outlook: Policy Driver**

According to a KPMG Baltics study, in 2006 Latvia was the leader among the new EU Member States with regard to the share of renewable sources (39% of the consumed energy). Thus, reaching the 42% target for 2020 as initially proposed by the Commission should not be too difficult for the country, which has large biomass potential. However, Latvia had problems with the data for reference year 2005 that were gathered in line with an outdated methodology, and as a result led to setting higher targets for the country. Latvia worked with the Commission to prove that this target was too high, as the data for reference year (2005) was corrected in line with new methodology.

Latvia thinks that the Commission's proposals in this area are ambitious, with measures requiring significant investments. Therefore, Latvia supports using cohesion and structural funds for the renewable energy sector and for the introduction of environmental technologies in the EU. Based on this, Latvia requested maximum flexibility with regard to targets and the measures needed to achieve them.

Latvia also insisted that EU Member States should be differentiated according to the current consumption of renewable energy sources in the overall energy consumption: there should be different targets for countries that already now reach over the 20% target, and different targets for countries with less than 20% of renewable energy in the overall energy consumption. As Latvia is in the first group, it would be unfair to limit its development potential and competitiveness by imposing the same targets for all EU Member States. However, Latvia supported the goal that the common renewable energy usage target for all EU (taken together) in 2020 should be 20%.

As to the use of biofuel, Latvia supported the 10% target by 2020 for the whole EU. However, Latvia was against putting a 10% target for each Member State, as the ability of each country to fulfil this ambitious goal should be taken into account. As a result, a compromise was reached allowing each Member State to evaluate its capabilities and set individual targets to achieve the EU target. Latvia welcomed the flexible conclusions on biofuel, saying that 2020 targets should be binding if producing and using biofuel is economically sound and sustainable, and on the condition that the so-called second generation biofuel products are economically sound, sustainable, and enter the markets.

In December 2008 the European Parliament adopted a 40% target (decrease from 42% target) for the share of renewable energy in the overall energy consumption of Latvia. Progress with regard to Kyoto Protocol targets has also been taken into account in the adopted directive, which is in line with Latvia's position. The directive also includes a 17% increase in emissions quotas for Latvia for sectors that are not included in Emission Trading Scheme.

The Greens' and Farmers' Union (ZZS)(in the governing coalition), in its programme for parliamentary elections of 2006 declares that one of the priorities is to increase the use of renewables.

Public opinion also supports the use of more renewable energy. According to a 2008 public opinion poll,<sup>30</sup> approximately 80% of respondents supported the use of wind, biomass, solar and hydro energy, with only 3-7% respondents being against (depending on the energy source).

Given the defined interests in this field and Latvia's activity, it can be defined as a Policy Driver on this issue.

**2.5. General issues: Strategy towards nuclear energy****Definition: Policy Taker****Outlook: Policy Taker**

Latvia has a positive attitude towards nuclear energy as it continues negotiations with Lithuania, Estonia and Poland on the construction of a new nuclear power plant in Lithuania (in the territory of the current Ignalina nuclear power plant). State-owned energy company Latvenergo sees the Ignalina project as a possibility to ensure a

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<sup>30</sup> "Sabiedrības attieksme un informētība par enerģētikas jautājumiem", SKDS, May 2008

stable energy supply in line with increasing energy demand, and with reasonable prices for consumers. Some experts have also suggested that it would be beneficial to produce nuclear energy after 2030.<sup>31</sup> On the other hand, environmental protection organisations are opposing this project. For example, the Latvian Green Movement requested an impact assessment about the environmental consequences of the new project. Representatives of three organisations<sup>32</sup> sent postcards to government ministers and parliamentarians asking to reject Latvia's participation in the new project.

The coalition party the Greens' and Farmers' Union (ZZS) also has a reserved position on the new project, although the government has approved it. Besides the environmental aspects, it stresses that it's a myth that Latvia could automatically achieve independence from Russia's energy resources with the building of a nuclear power plant, as Latvia (and the other Baltic states) would need to import nuclear fuel, and it's likely that Russia will offer a good price.<sup>33</sup>

According to a 2008 SKDS opinion poll,<sup>34</sup> 52% of Latvia's inhabitants believe that using nuclear energy would help diminish dependency on oil, while 34% disagree with this statement. However, the same poll indicated a 60% opposition to building a new nuclear power plant, with only 19% respondents supporting the plan. Nonetheless, on the question of whether nuclear energy in Europe would diversify energy sources, 63% in Latvia agreed, 23% were against, while 14% did not know, according to Eurobarometer data from 2008.

This demonstrates that there is no strong national consensus on this issue, on which Member States are allowed to take national decisions (Member States can decide whether to use or not use nuclear power). Moreover, even with the Greens' and Farmers' Union being represented in the government, it has taken the decision to support a nuclear power plant, which raises questions about the positions of this party. However, due to the rather lukewarm position in favour of nuclear power that is in line with the mainstream opinion in the EU, Latvia can be defined as Policy Taker on this issue.

## **2.6. General issues: Implementation of the revised Emission Trading Scheme**

### ***Definition: Policy Driver***

### ***Outlook: Policy Driver***

Latvia supports ETS review with the goal to reduce greenhouse gas emissions more effectively. However, the country also stressed the need to balance policies addressing climate change consequences with environmental, competition, energy and sustainable development policies.

Latvia emphasises the need to find a reasonable economic solution that would be balanced between climate change policies and the need to ensure sustainable competitiveness of the EU. This balance should also apply to emissions quota distribution, which is essential for Latvia. Latvia insists that Commission proposals would not enhance Latvia's competitiveness and would limit economic development. Latvia supports calls for continued commitment in reducing the effects of climate change, opposing the establishment of protection mechanisms for industries. Latvia supported the need to introduce equal conditions for the Baltic region with regard to emissions quota and bidding system in energy markets so that energy companies would engage in fair competition.

Latvia's interests in this area are conditioned on the relatively large investments needed to implement the targets for greenhouse gas emissions reduction (the estimated investments needed in Latvia are twice as large as on average in the EU). As a result, Latvia supported the principle that emission reduction targets for each individual country should be adapted to the 30% target for the whole EU, including the achievement of Kyoto protocol targets or changing the coverage of Emission Trading Scheme (for example, including the naval sector). Latvia supported the redistribution of the right to auction emissions quotas, taking into account GDP per capita and

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<sup>31</sup> Latvian member committee of the World Energy Council.

<sup>32</sup> "Latvijas Zaijā kustība", "Vides aizsardzības klubs", „Zaijā alternatīva”.

<sup>33</sup> 2006 interview with co-chief of Latvia's Green Party, Indulis Emsis, in magazine "Vides vēstis".

<sup>34</sup> "Sabiedrības attieksme un informētība par enerģētikas jautājumiem", SKDS, May 2008

possible additional redistribution according to achievements of Kyoto protocol targets. Latvia believes that this instrument would ensure investments and funds for other support measures for the country.

Latvia supported the proposal that at least 20% of income from the Emission Trading Scheme should be used on climate policies, including the need to work on social consequences linked to the inevitable price hikes of heat and energy. At the same time, Latvia was sceptical about the initial proposals of the European Parliament, including a strict redistribution of income from the Emission Trading Scheme: proposing to invest at least 50% of the income in a support fund for developing countries. Latvia stressed that this would significantly increase the costs of implementing the climate and energy package.

Latvia also stressed the need to have equal conditions for the ETS in the Baltic countries with their isolated energy market, as well as ensuring equal access to quotas for all ETS participants, preventing speculation and cases in which small and medium-sized businesses have no possibility to freely buy additional quotas because of strong competition among buyers.

Another issue of particular concern for Latvia was the use of flexible mechanisms, especially in sectors that are not covered by the ETS. Latvia was concerned whether the proposed flexibility was sufficient for emission reduction in sectors that initially require higher investments, and the real emission reduction is visible at a later stage, for example, in the transport sector. As a result, Latvia supported proposals that increase flexibility.

The proposal to include the airline industry in the Scheme, taking 2004 as the reference year, was also assessed as unfavourable for the New Member States whose airlines started to develop in 2004. Latvia's airline AirBaltic was strictly against the Commission's initial proposal regarding the 2004 reference year and excluding foreign airlines flying to the EU from the scheme. AirBaltic president Bertold Flick even threatened to move the company's registration address to Switzerland to avoid the proposed targets that would put Latvia in the worst situation in comparison to all other EU Member States. But Latvia achieved that the final decision in the European Parliament included favourable conditions for airlines that have undergone rapid development (3% of quotas for airline industries will be put into a reserve fund and distributed between new companies and companies whose growth rate in four years reaches 18%). In addition, Latvia also achieved that compensations are envisaged for cases where energy sources are lost (as in the case of the Ignalina nuclear power plant's closure).

Business interest groups, such as the Employers' Confederation of Latvia, have strong interests in this area as they stress the need to establish global measures so that EU companies would not have to compete against non-EU companies with more favourable conditions. In addition, business interest groups are concerned about the impact of the ETS on economic growth potential. On the other hand, environment protection organisations emphasise that larger emissions quotas would give fewer incentives for companies to invest in environmentally-friendly solutions. Several environmental non-governmental organisations<sup>35</sup> urged Latvia's government to participate in the Emission Trading Scheme with 100% auctioning for the energy sector as one of the means to start a transition to a low carbon economy.<sup>36</sup>

Given the strong interests and activities of Latvia in this area, the country can be defined as a Policy Driver on this issue, and is unlikely to change its stance.

## **2.7. General issues: External dimension of energy security**

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia is one of the strongest supporters of a common European energy policy and the need to find alternative energy sources to decrease the dependency on Russia. This argument became popular in the EU after the energy crisis in January 2006, as

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<sup>35</sup> The Soros Foundation-Latvia, Green Liberty, Latvian Green Movement, Friends of the Earth-Latvia, Environmental Protection Club.

<sup>36</sup> See, "Open Letter to the Heads of Governments of Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia", 24 November 2008.

approximately 30% of natural gas used in the EU is imported from Russia. The January 2007 Russian dispute with Belarus over oil further strengthened the perception of Russia as an unreliable energy provider, with the Georgia-Russia conflict of August 2008 adding to the perception of Russia as unreliable partner. In the aftermath of this conflict, Latvia was among the strongest supporters of a new basis for EU-Russia dialogue, including on energy. Latvia still insists on a consistent strategy for EU-Russia dialogue on energy.

In the “gas war” between Ukraine and Russia of January 2009, Latvia’s position was clear: the EU’s priority is to secure energy supply. Thus, Latvia welcomed the active involvement of the Energy Commissioner (Latvian Andris Piebalgs) and the Czech Presidency in facilitating an agreement between Kiev and Moscow. According to Latvia’s Foreign Affairs Minister Māris Riekstiņš, this conflict once again demonstrated how important it is to work on energy security issues in the EU, on a practical level, including the cooperation with Eastern Partnership countries.<sup>37</sup>

Due to historical reasons, a part of Latvia’s population is very sensitive to being dependent on Russia although Latvia is the most dependent on Russian energy out of the three Baltic States. According to SKDS opinion poll of 2008, 66% of Latvia’s inhabitants believe that Latvia should produce energy, while only 18% support the idea of importing energy from external sources. Not surprisingly, Latvia supported the Green Paper on Energy, pointing out that it was important that a unified policy on the security, competitiveness and sustainability of energy supplies was being discussed in Europe.<sup>38</sup> Many of Latvia’s political parties have mentioned energy security and European energy policy in their programmes. The declaration of the Latvian government of 2006-2007 also says that the cabinet will strengthen “Latvia’s energy supply security by participating in formulating a common EU energy policy”.<sup>39</sup> The current government has reiterated active involvement in building EU energy policy, especially the new Energy package.

Latvia supports developing a dialogue with transit and supply countries by using EU foreign policy and cooperation instruments like the European Neighbourhood policy, Eastern Partnership, Baku Process and Energy community. Latvia is interested in seeing an action plan for energy security included in the Second energy review and the action plan from 2010, taking into account the different roles of energy transit and supply countries in the neighbouring regions of the EU.

As the EU is currently developing a common energy policy that is in line with Latvia’s position, Latvia can be defined as Policy Driver on this issue. It is unlikely — as Latvia’s energy market specifics will not change rapidly — that Latvia’s position will change in short-term.

### **3.1. Specific issues: Liberalisation of the energy market — 3<sup>rd</sup> energy package (unbundling)**

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia’s interests on this issue are linked to the specifics of Latvia’s energy market:

- The isolation of the Baltic electricity market,
- The dominance of the external (Russian) gas provider that controls supply infrastructure.

Latvia stressed that the Commission’s proposals on ownership unbundling in the electricity market did not take into account Latvia’s specifics (almost isolated market), and that the impact assessment did not include persuasive arguments on how prices for electricity and attracting investments would be affected by this unbundling. Neither the total unbundling of ownership, nor entrusting transmission infrastructure to an independent system operator, is in line with Latvia’s interests. Latvia saw the unbundling of ownership as only one of measures that would improve the functioning of the market. The country also suggested that instead of unbundling, more regulative

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<sup>37</sup> Ministry of Foreign Affairs press release, 12 January 2009.

<sup>38</sup> Latvian Economics Minister in discussions on the EU Services Directive and common energy policy, Ministry of Foreign Affairs press release, 14 March 2006.

<sup>39</sup> Declaration of the Intended Activities of the Cabinet of Ministers, 7 November 2006.

and control mechanisms should be introduced, and that each Member State should be allowed to choose one option (of three) for its gas and electricity market. Latvia was among the nine countries represented in a working group that drafted the alternative proposal to Commission's proposal (the third option). This alternative proposal received the Council's support. However, the European Parliament voted in favour of Commission's proposal for the electricity market, while allowing Member States to choose between two options for their gas markets (total unbundling of ownership OR establishing an independent transmission operator).

Latvia stressed that it is more essential for the country to work on the physical integration of markets; that is, establishing energy intra-connections for the Baltic energy market (see section 3.2. for further details).

Due to the strong interests and activities on this issue, Latvia can be defined as a Policy Driver.

### **3.2. Specific issues: Common rules for the internal market in electricity (COM (2007) 508), cross border exchanges in electricity (COM (2007) 531), common rules for the internal market in gas (COM (2007) 529), access conditions to the gas transition network (COM (2007)**

**Definition: Policy Driver**

**Outlook: Policy Driver**

Most of the detailed positions with regard to proposals for the internal electricity and gas market have been outlined in section 3.1. In general, however, Latvia's position on these issues is conditioned on the peculiarities of the Latvian energy market (domination of Russia as gas provider, and the isolation of the Baltic electricity market).

With regards to the gas market, Latvia received derogations from the directive on the so-called "third country clause" (not allowing non-EU countries to take control of transmission networks in the EU unless they apply effective production and supply unbundling conditions). This is important for Latvia, as a Russian gas provider controls its supply infrastructure.

With regards to electricity market, it is important for the Baltic countries to secure intra-connections with other EU countries. Currently it is undecided, whether the intra-connection would be from Sweden to Latvia or Lithuania, and how the development of internal Baltic infrastructure to link all three countries would take place. Latvia lobbied for the need to set up a high-level working group under the leadership of the European Commission to draw an action plan for this (which has been achieved). In line with Latvia's general interests, the country wants to secure EU funds for the construction of these intra-connections within the next financial perspective (2014 onwards), by establishing a new financial instrument for the support of energy infrastructure projects.

Latvia's energy market specifics make the country a Policy Driver on these issues, with the position unlikely to change.

### **3.3. Specific issues: Establishment of the Agency for Co-operation of Energy Regulators (COM (2007) 503)**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supports the Commission's proposal to establish the Agency for Co-operation of Energy Regulators. The country stresses that this mechanism would be suitable to enhance the coordination and cooperation of regulators, as well as decision making on issues that concern two or more EU Member States. Latvia also supports the establishment of a cooperation mechanism for the transmission system operators to enable that they operate in a coordinated manner as an integrated part of the common energy market. As a result, Latvia supported the proposal of giving the Agency the right to issue binding decisions to transmission system operators with regard to intra-connections.

Latvia is a Policy Taker on this issue, and is likely to remain as such.

#### IV. Budget review and CAP "Health Check"

1. Overview
2. General issues:
  - 2.1. Position towards CAP "Health Check" (COM(2007)722)
  - 2.2. Positions towards the expenditure structure of post-2013 budget (SEC(2007)1188)
  - 2.3. Position towards Common Market Organisation for Fisheries

##### 1. Overview

Latvia's position on budget review and CAP health check is defined by two factors. Firstly, Latvia is one of the poorest EU Member States and thus sees EU funds as a means to achieve EU average income levels. Secondly, Latvia has a strong farmers lobby, with 7.4% of the country's labour force being employed in the sector, as well as the Greens' and Farmers' Union being represented in the government and holding the post of Agriculture Minister. Latvia's farmers have been active protesters not only in Brussels, but also on the national level, with the protests of January and February 2009 forcing the resignation of Agriculture Minister Mārtiņš Roze.

Unsurprisingly, all political parties elected in the Latvian Parliament, Saeima, in 2002 focused on the conditions for Latvian farmers, production quotas and EU structural funds. In 2006 elections the dominating issue was the use of EU structural funds, with all political parties promising to use EU funds to improve living standards in Latvia.

The top priorities for Latvia in CAP health check are direct payments to farmers, where Latvia wants to achieve equal direct payments to farmers in all Member States, as currently Latvia receives the lowest levels of direct payments in the EU-27.

The three top priorities for the country with regard to budget review are:

- EU budget for cohesion policy, where Latvia has strong interests as one of the poorest EU Member States with wide regional income, development and employment gaps;
- EU budget spending on energy, where (being dependent on Russia's energy) Latvia wants more investments in intra-connections with bordering Member State energy systems, thus improving energy security and enhancing the common market, as well as more support for the creation of new (internal) production capacity by using renewable energy sources.

This makes Latvia a Policy Driver on almost all the issues analysed in this chapter. On some issues in CAP health check Latvia has the potential of becoming a Policy Killer, if Latvia's detailed proposals do not get the necessary support, and if Latvia sees its interests (and the interests of most New EU Member States) not taken into account.

##### Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities Direct payments to farmers EU budget for cohesion policy EU budget spending on energy	Policy Driver; may become Policy Killer Policy Driver Policy Driver	Strong national consensus Strong national consensus National consensus	Outside the mainstream Within the mainstream Within the mainstream
2.1. Position towards CAP "Health Check" (COM 2007(722))	Policy Driver; Policy Driver / Policy Killer	Strong national consensus	Outside the mainstream (new/ liberal economy member states versus old)
2.2. Positions towards the expenditure structure of post-2013 budget (SEC (2007)1188)	Policy Driver; Policy Driver	National consensus	EU mainstream on some issues, strong new/ old member state division on other issues
2.3. Position towards Common Market Organisation for Fisheries	Policy Driver; Policy Driver	National consensus	Within the mainstream

## 2.1. General issues: Position towards CAP "Health Check" (COM 2007 (722))

### **Definition: Policy Driver**

### **Outlook: Policy Driver / Policy Killer**

Agriculture is a priority issue for Latvia, which has 7.4% of its labour force employed in this sector (in 2007). Latvia supports modernising CAP according to global tendencies. Latvia also stresses the need to link member state payment into CAP to the support each receives, as well as improving the normative acts and the administration of CAP.

But the most important issue for Latvia in this regard is the **direct payments to farmers**, where Latvia insists on equal conditions for all Member States. This is a very sensitive issue for the country because currently Latvia receives the lowest direct subsidies per 1 hectare of farmland in the EU. According to some provisional calculations, due to differences in direct farm aid when compared against the EU-27 average, Latvia will lose EUR 1.59 billion by 2013.

Latvia strongly insists on the need to review historical reference indicators to make the payments fairer and more objective (for Latvia the reference year is 1998). In the CAP reform of 2003 there was no revision of criteria for direct payments to farmers, and they are still based on the old CAP goals. Latvia believes that the current direct payment criteria violate fair competition among Member States that operate in a common market.

Latvia proposes that new and equal eligibility criteria are laid down for granting decoupled payments for all Member States, which are not linked to historic data but reflect an actual activity of the farmer at present, thus ensuring that in the course of time this support does not turn into a mere rural social support for doing nothing or the business of "harvesting subsidies". Therefore, new eligibility criteria should be regularly revised, assessing:

- agricultural land that must be maintained in good agricultural and environmental condition;
- economic indexes, for example, income from agricultural activity, gross coverage in the sector, actual expenses to meet cross-compliance requirements;
- climatic conditions characterising adequacy for agricultural activity (in case the payment for less favoured area is abolished).

Regarding the **revision of direct payment schemes (both single payment scheme and single area payment scheme)**, Latvia thinks that all Member States (upon application of both single payment (SPS) and single area payment schemes (SAPS)) should have equal rights to apply coupled payments, thus eliminating an unequal treatment of Member States and encouraging fair competition in the EU. Another possibility could be simplification of SPS so that it can be introduced in due time in New Member States without additional administrative costs.

Latvia supports the possibility to consider the application of SAPS until 2013, thus creating less administrative burden for farmers and administration institutions, and giving New Member States less pressure to transfer to a more complicated SPS only to be able to apply a partial coupling of payments. This is particularly relevant before CAP changes that will most probably come closer to a fully decoupled payment scheme.

Latvia also supports the SPS minimum eligible area per one farm being set at 1ha, similar to SAPS. In addition, Latvia suggested making direct payments in two instalments (both SPS and SAP), for which Article 28 (2) of Council Regulation No 1782/2003 must be amended.

Latvia called for the abolition of the provision that only land area that was in good agricultural condition as on 30 June 2003 is eligible for payments. Not only was this provision not necessary because of decoupling, but it was also discriminatory, as it only refers to the Member States that joined the EU in May 2004. According to Latvia's position, this provision slowed down the development of the agricultural sector by artificially restricting the possibility for farmers to use land resources, giving them no motivation to maintain agricultural land in good agricultural and environmental condition.

The decoupling of direct payments was supported by Latvia, but only on the condition that it is applied to all Member States with equal terms.

On this issue (equal terms for all Member States), Latvia's position strongly differed from the Commission's proposal. The Latvian Minister met **Agriculture Commissioner** Mariann Fischer Boel to explain Latvia's position. However, the Commission's proposals did not address Latvia's requests. Therefore, Latvia insists that the regulation on CAP health check would include a revision clause that would request the EU by 2010 to review the direct payment goals, allocation criteria, agricultural development and the situation in the markets, and come with proposals for new, equal conditions and allocations of finances. Should this clause not be included in the regulation draft, Latvia would not support the proposal. Latvia (together with 7 other Member States) also sent a letter to the European Commission and the Slovenian EU Presidency for the 19-20 June 2008 EU summit, asking for fair competition among Member States in CAP. In the end, the European Council conclusions include a call for fair competition within the EU (linked to market orientation of the sector and the adjustment to oil and food price hikes), which is considered as a small victory for the New Member States like Latvia.

Regarding the **revision of cross-compliance conditions**, Latvia proposed to include (in Article 9 of Council Regulation No 1782/2003) a provision that allows a member state to keep no less than 80% of the financing accrued by reduction of support due to failure to meet cross-compliance requirements, on the condition that this sum is used to finance an advisory system or technical assistance measures for the introduction of the cross-compliance system and the improvement of performance.

Latvia is against the **proposed modulation scheme** (moving from direct subsidies for farmers to supporting rural areas) because of the continued differences proposed between supports available to the new and old EU Member States. It means that the resources available after modulation will not be available to the new EU Member States until 2012. But even in 2013, when the transition conditions on direct farm aid will cease to exist and theoretically Latvian farmers should receive 100% farm subsidies like in any other EU country, Latvia will still have one of the lowest subsidies available.

Latvia insists that new challenges that should be addressed with the funding available from the modulation mechanism exist in all Member States; therefore this mechanism should be available to all Member States. On **modulation** Latvia has 2 concrete proposals on how to take the interests of New Member States into account, especially of those Member States that receive substantially smaller direct farm aid (lower than the EU average):

1. At least 50% of funds available from modulation should be directed to the EU's rural development budget, and should be divided among Member States in accordance to their objective needs, allowing all Member States to address new challenges.
2. Additional funds need to be allocated to address new challenges in the Member States that receive significantly lower direct aid (under the EU average).

**Latvia was opposed to the Commission's proposals** that do not allow New Member States to apply the modulation mechanism in 2012, at the same time prohibiting them to top up farm aid from the national budget. Latvia insists that this contradicts the Accession Treaty (Annex II, Part VI, Article 27), which allows Latvia to pay additional farm subsidies from the national budget in the amount of 10%.

Latvia also insists that reporting about modulation funds should not create a significant administrative burden on national and EU level.

With regard to **Article 68** in the proposal, Latvia also suggests to allow more flexibility for Member States to define sectors that could receive additional support that would be linked to production (2.5% from funding as outlined in Article 68 would give Latvia EUR 14 million). With regard to Article 53 on farm aid linked to the number of cows, sheep and goats, Latvia expressed concerns about the distortive effects of this aid on EU common market conditions.

Latvia supported the abolition of the **milk quota** as of 2015, but insisted on a smooth transition to a quota-free regime with a gradual annual increase of 5% of the total

national quota for every Member State starting as of 2008/2009. It is expected that Latvia would exceed the quota around 2008/2009 so it was in Latvia's interests to agree on a larger increase of quota. In the end it was agreed to increase the milk quota by 2% (instead of 5% as Latvia wanted) until 2015 when the quota system will be abolished.

Latvia also suggested a gradual annual reduction of the rate of levy for exceeding the total national milk quota, and the introduction of a differentiated method for calculating the total payable levy. A "tolerance limit" of up to 5% was suggested, which would not be subject to levy payments.

With regard to the **effectiveness of energy crop and hemp support scheme**, Latvia considered that a currently valid energy crop support scheme must be revised by assessing whether it is the right type of support in order to stimulate production of renewable energy, as it creates an artificial demand for the production of field crops.

In addition, Latvia proposed **establishing EU's veterinary, food import, export and transit control agency** whose main purpose would be to coordinate the import, export and transit of animal feeding stuffs and products of animal origin. This agency could operate in Latvia.

On CAP health check there is a wide national consensus. One of the coalition parties is Greens' and Farmers' Union (Zaļo Zemnieku Savienība) that also holds the seat of Agriculture Minister. There is one strong national farmers' organisation, the **Cooperation Council** of Agriculture Organisations (Lauksaimnieku organizāciju sadarbības padome, LOSP), that is very active, with one permanent employer working in Brussels. For example, in November 2008 farmers from Latvia (from LOSP and other farmer organisations) staged a protest in Brussels to request equal direct payments. They protested against the low direct payments in Latvia that needs to compete against farmers from more developed countries who receive higher direct farm aid. Latvian farmers issued a common declaration with Estonian colleagues supporting their agriculture ministers in discussions on the CAP health check package, insisting on equal payments for all farmers.

Farmers' protests of January and February 2009 forced the resignation of Agriculture Minister Mārtiņš Roze (representing the Greens' and Farmers' Union).

Public opinion is not supportive of the EU's influence on Latvia's agriculture. In July 2008 approximately 64% of respondents said that CAP prevents the development of Latvia's agriculture, with 24% of them saying that CAP "absolutely prevents" Latvia's agriculture development. Only 16% had the opposite opinion. One of the explanations for these attitudes is the recent EU sugar reform that, according to many Latvians, closed down Latvia's sugar production.<sup>40</sup> Another reason is the fact that the issue of direct aid to farmers was very controversial during EU accession negotiations, when Latvia (along with other New Member States) fought for equal conditions, but was forced to agree to receiving phased-in conditions to allow equal direct payments to the EU-10<sup>41</sup> only in 2013. Before the EU accession referendum in September 2003, direct payments to farmers was one of the heatedly debated issues among people.

This national consensus in support of farmers does not give much ground for the government to change its position even if, for example, the Greens' and Farmers' Union are not among the ruling parties after the next general elections in 2011.

In conclusion, Latvia is definitely a Policy Driver on this issue. However, on some issues Latvia has the potential of becoming a Policy Killer, if Latvia's detailed proposals do not get the necessary support, and if Latvia sees its interests (and the interests of most New EU Member States) not taken into account.

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<sup>40</sup> In 2007, when Latvian sugar factories were forced to close down because of the EU's sugar reform, many blamed the EU, despite the fact that the reform was a reaction to pressure from the World Trade Organisation about the EU subsidising its sugar producers.

<sup>41</sup> The ten Member States that joined the EU in 2004.

## 2.2. General issues: Position towards the expenditure structure of post-2013 budget (SEC (2007)1188)

### **Definition: Policy Driver**

### **Outlook: Policy Driver**

In general, Latvia is cautious about increasing the EU budget, as every year the budget has surplus (in 2005 and 2006, on average these were EUR 4 billion). Latvia insists that EU's own income system should be reformed and improved, for example, by abolishing rebates. Significant improvements are needed by reviewing goals, funding levels and governance principles in areas such as agriculture, EU's external action and administration.

The most important issues for Latvia in the post-2013 budget are (a) cohesion policy, (b) common agriculture policy reform (equal criteria for all Member States, see above), (c) EU spending on such areas as energy and environment, education, research and technology development, as well as (d) strengthening of EU's external border and (e) the EU's Neighborhood Policy.

As to **cohesion policy**, Latvia has strong interests in this policy as one of the poorest EU Member States with wide regional income, development and employment gaps. According to Eurostat data, in 2005 Latvia was the third-poorest EU Member State, with its GDP per inhabitant in terms of purchasing power parity being only 49.9% of the EU-27 average (only Bulgaria and Romania had lower income levels). Cohesion policy is seen as a modern policy to decrease social and economic differences among the EU's least prosperous regions. It is in Latvia's interests to see adequate financing and governance of this policy.

Latvia thinks that cohesion policy requires a better analysis of the different socio-economic conditions in Member States, including such data as GDP per inhabitant, lack of infrastructure, GINI index and mortality rates. According to Latvia's position, the first criteria to assess the level of support needed for each Member State should be GDP per inhabitant in terms of purchasing power. Cohesion policy should remain selective, addressing selected member states and regions. Latvia is cautious about proposals to reform cohesion policy to make it an instrument to increase EU's global competition and sustainable development. The achievement of Lisbon Strategy goals should not become a pretext to change cohesion policy goals so that the funds are made available for regions that need to improve competition. Cohesion policy should balance investments in infrastructure (transport and communications) with investments in human resources (improved productivity).

Latvia insists on three principles applied to **EU spending on agriculture**:

- Activity – support level is adequate to the investments made, i.e. farmlands are used in agriculture, not just to receive "cutting grass" subsidies.
- Equality – equal support levels for all Member States.
- Simplification – CAP and its legislation should be simplified when it comes to its content and administration, to decrease the administrative burden and costs.

In addition, quotas, export compensations and other conditions that limit production should be gradually abolished, as there is no objective necessity for them.

As to **EU spending on energy and environment**, Latvia believes that more funds should be invested in this area. In particular, the EU budget for 2014-2020 should be invested in diversifying energy sources:

1. to create new intra-connections with bordering Member State energy systems, thus improving energy security and enhancing the common market;
2. to support the creation of new (internal) production capacity by using renewable energy sources.

On this issue it seems that Latvia's position reflects the EU mainstream, although Latvia is more dependent on Russia's energy and, thus, has more motivation to ensure EU funding for future energy security.

As to **Neighbourhood Policy**, Latvia insists that it is important to decrease the negative impact of borders on border regions (for example, border regions around Latvia-Russia and Latvia-Belarus borders). Therefore, Latvia proposed enhancing more cooperation between border regions to improve their development and responsibility in case of development conflicts. In addition, since a part of Latvia's border is also the EU's external border, Latvia supports more EU spending on improving external border controls. Increased security risks require stringent and more effective control that does not put obstacles to international trade. Moreover, dangerous goods must be stopped at the EU's external borders. In this regard, more EU funding should be available for countries that have external EU borders to engage in exchanges of experiences and training, and improve border infrastructure.

Latvia proposes to increase investment in the **Trans-European Transport Networks** (TENs) by increasing the EU's co-funding levels from 10% to 50% for the New Member States that may have difficulties in finding national co-financing for these projects. This creates problems for the implementation of such projects as Rail Baltica (a rail system linking Finland, the Baltic States and Poland, and also improving connections between Eastern Europe and Germany).

Latvia does not support a common **"EU tax"**, that is, a common EU income tax, be it in the form of tax rate or tax base harmonisation.

On **budget revenue**, Latvia insists on simplification that would be easier to understand for EU citizens, but also easier to calculate and administrate. Latvia does not support the proposal to increase flexibility by allowing moving funds from one to the other budget category. According to Latvia's position, this would make no sense for multi-annual budgeting as it would complicate budgetary procedure and would also violate good governance principles.

Latvia has experience with fighting for more EU funds as it was among the most active of the New EU Member States in securing that there are no cuts in the funds available for newcomers in the 2007-2013 financial perspective. When EU leaders worked on the financial perspective of 2007-2013, one group of Member States (especially net contributors) insisted on keeping the EU's expenditures within the limits of 1% of the EU's Gross National Income, while the other group (including the Commission and the European Parliament) hoped to increase the expenditure to around 1.24% of EU's GNI. Great Britain, at the time leading the EU presidency, belonged to the first group of countries, also including France, Germany, Austria, Sweden and the Netherlands. New Member States, including Latvia, belonged to the second group. In the debates including the British rebate and reform of common agricultural policy, the financing of the 2004 enlargement surfaced as one of the problems, with the UK and Germany — strong supporters of EU enlargement — willing to cut the costs. One proposal worked out by the UK included a 10% cut in the structural funds. The argument was that the EU-10 would not absorb all the funds anyway, as demonstrated by the first results of 2004-2006.<sup>42</sup> As a result, leaders of nine out of ten New EU Member States<sup>43</sup> signed a letter to the UK's Prime Minister Tony Blair stating, "We will not be prepared to accept reductions in allocations for the New Member States."<sup>44</sup> The Latvian Prime Minister (at that time) Aigars Kalvitis also stressed that Latvia and the other newcomers would not accept this deal that harmed countries needing more support for their development.<sup>45</sup> Finally, the deal was secured due to Germany's Chancellor Angela Merkel who acted as a mediator. The New Member States not only secured the funds promised but also received a greater flexibility in how the funds are used.

EU funds have been a dominating issue in EU debates since 2002, when all political parties elected in the Latvian Parliament, Saeima, focused on finances available to the poorest regions of the EU to help them develop. In the 2006 national elections, the dominating issue was the use of EU structural funds, with all political parties promising

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<sup>42</sup> The newest and poorest EU Member States have spent only a quarter of the regional aid package put aside for the bloc in 2004-2006, with Cyprus, the Czech Republic and Poland scoring the worst results. Source: *New members too slow to spend EU aid*, EU Observer, Lucia Kubosova, 21 September 2006.

<sup>43</sup> According to Reuters, the one country that had not signed the letter was Slovakia, to which the UK had reportedly promised extra funds for decommissioning nuclear power stations.

<sup>44</sup> *Blair Seeks Smaller EU Budget, Baltics Unhappy*, Reuters, Patrick McLoughlin, 1 December 2005.

<sup>45</sup> *Blair's budget plan under fire*, BBC, 1 December 2005.

to use EU funds to improve living standards in Latvia. Civil society, including trade unions and the employers' confederation, also sees EU funds as a possibility for development. In 2006 the government even established a special secretariat dealing with EU funds.<sup>46</sup> Thus, there is a wide national consensus on this issue that is a priority for Latvia, which makes Latvia a Policy Driver.

### 2.3. General issues: Position towards Common Market Organisation for Fisheries

#### **Definition: Policy Driver**

#### **Outlook: Policy Driver**

Latvia has well-developed fishing and fish-processing traditions, which reflects the country's geographical position on the Baltic Sea and the Gulf of Riga with approximately 3.9% of Latvia's territory being inland waters. The fisheries sector forms a substantial part of the national economy because marine catches are one of the few natural resources. This makes fisheries a significant issue for the country that achieved a permanent exception in Accession Treaty according to which only Estonian and Latvian ships are allowed to fish in the Gulf of Riga.

Latvia achieved **favourable conditions for its fisheries** in the Baltic Sea for 2007 (total allowable catch for herring, sprat, salmon), although the country requested higher levels of allowed catch for cod. Latvia also received favourable conditions for fishing in the Northwest Atlantic Fisheries Organisation and the North-East Atlantic Fisheries Commission for shrimps, redfish and squid.

Latvia also supported plans to work on sustainable **renewal of eel and cod stock**, although Latvia insisted that careful attention should be paid to the fishermen that will be affected by decreased total allowable catch levels. Latvia agreed to the compromise of allowing 60% of small-sized eel to be used for restocking.

In 2007 an agreement was made on the multi-annual plan for **Baltic Sea cod stock and fisheries**. Latvia managed to achieve exceptions for small fleets (they will be allowed to catch cod 5 days in a 2 months period in the western part of the sea, or 10 days in a 2 months period in the eastern part of the sea). Latvia did not manage to achieve the Commission's support for its proposal to not include the time spent navigating from the coast to the fishing area in the Baltic Sea in the time defined as "fishing time". The Commission did not want to set a precedent for other countries.

Among the proposals still in process, Latvia supported Commission's proposal on **fighting illegal fishing** as well as the new initiative on **reforming the fishing control system**, ensuring more strict application of control procedures in all Member States.

As this is a traditional sector, the Latvian Fisheries Association (including more than 50 private companies with more than 140 fishing vessels) and the Latvian Fishermen Federation are very active participants in formulating Latvia's position in these issues. Although the interests of fishermen and fish processors may differ on specific points (like regulations that require additional investments), in general they support decisions that allow the sector to develop. This creates a strong national consensus on this issue. As a result, Latvia can be defined as a Policy Driver.

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<sup>46</sup> Following a budgetary crisis, this secretariat is due to be closed in January 2008.

## **V. EU foreign policy and enlargement**

1. Overview
2. General issues:
  - 2.1. Preference of countries for accession and any specific points or concerns relating to it (including bilateral disputes and how they might translate into EU-level policy and decision making)
  - 2.2. Preference for any particular country in the framework of ENP
  - 2.3. Enhanced ESDP, increasing Europe's defence capabilities etc.
  - 2.4. Position towards Kosovo, e.g. status and EU mission in Kosovo
  - 2.5. Transatlantic relations
3. Specific issues:
  - 3.1. Completion of accession negotiations with Croatia
  - 3.2. Opening of accession negotiations with Macedonia
  - 3.3. Signing of SAA with Serbia
  - 3.4. Blockage of accession talks with Turkey, possibility of unblocking it
  - 3.5. Polish–Swedish initiative for ENP Eastern Partnership
  - 3.6. Strategy for the Black Sea Region/Black Sea Synergy Implementation assessment
  - 3.7. Strategy for the Baltic Sea Region
  - 3.8. Revision of European Security Strategy

### **1. Overview**

Latvia's interests in this area are predetermined by its geographical location, historic relations with neighbouring countries and Latvia's self-interest in seeing them prosper, as well as Latvia's own transition experience that has created a feeling of solidarity towards countries of similar experience. On most of these issues there is a strong national consensus, with the public opinion being in line with the official position.

As a result, in this area Latvia has the following three priorities:

1. Baltic Sea Region strategy where Latvia has a strong self-interest,
2. Eastern Partnership, especially with regard to Latvia's priority countries: Georgia, Moldova and Ukraine.
3. EU enlargement, where Latvia shows solidarity with all current and potential candidate countries.

## Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities Baltic Sea Region Strategy Eastern Partnership EU Enlargement	Policy Driver Policy Driver Policy Driver	Consensus on general policy National consensus National consensus	n.a. n.a. more supportive of enlargement
2.1. Preference of countries of accession	Policy Driver	Strong national consensus	Similar position to other New EU Member States
2.2. Preference for any particular country in the framework of ENP	Policy Driver	Strong national consensus, with the exception of EU-Russia relations after the Georgian conflict	
2.3. Enhanced ESDP	Policy Taker; could become Policy Killer if proposals imply weakening of NATO	National consensus	Within the mainstream
2.4. Position towards Kosovo	Policy Driver	National consensus, with the exception of left-wing parties	
2.5. Transatlantic relations	Policy Taker	National consensus	Within the mainstream
3.1. Completion of accession negotiations with Croatia	Policy Driver	National consensus	
3.2. Opening of accession negotiations with Macedonia	Policy Taker	General support for EU accession	Within the mainstream
3.3. Signing of SAA with Serbia	Policy Taker	General support for EU accession	Within the mainstream
3.4. Blockage of accession talks with Turkey	Policy Taker	National consensus, with some calls for special partnership that seem to have no impact on national position	Within the mainstream
3.5. Polish-Swedish initiative for ENP Eastern Partnership	Policy Driver	Strong national consensus	
3.6. Strategy for the Black Sea Region/ Black Sea Synergy Implementation assessment	Policy Taker	No interest in the issue	
3.7. Strategy for the Baltic Sea Region	Policy Driver	Strong national self-interest and consensus	
3.8. Revision of European Security Strategy	Policy Taker, but could become Policy Killer if some proposals imply weakening of NATO	National consensus	Within the mainstream

### 2.1. General issue: Preference of countries for accession

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia supports further EU enlargement, with a disclaimer that this depends on the EU and the candidate country's readiness. Latvia has good relations with both Turkey and Croatia, and there are no bilateral problems with the current and eventual (Balkan) candidate countries. Thus, according to official statements, there seems to be no differentiation placed on the potential candidates, that is, whether Latvia supports speedy accession of the Balkan countries before Turkey. Government declaration of the current cabinet includes statements of support for Croatia's, Turkey's and other countries' progress towards EU integration, stressing the need to comply with accession criteria.

The general support for EU enlargement is not surprising for a country that has recently joined the EU. "From our own experience we know how important the European perspective is for the stability of democracy, development and increasing of a nation's welfare. Only close cooperation between states — both regional and in a

European framework — can give them unity, regional development, security and peace. Latvia is ready to help these [candidate] countries in their growth because Latvia is able to appreciate the importance of such help in the road towards EU membership."<sup>47</sup>

Public opinion in Latvia is more favourable towards further EU enlargement than in the EU-15. According to Eurobarometer data, 54% of Latvians were in favour, and 30% against further EU enlargement. This, however, reveals decreasing support.<sup>48</sup> The favourite country for EU membership from the public perspective is Ukraine, as 57% of Latvians supported Ukrainian EU membership and only 25% were against. At the same time Croatia, the Former Yugoslav Republic of Macedonia, Serbia and Montenegro got on average only 40% of Latvians' support for the eventual EU accession. As to public opinion on Turkish EU accession, Eurobarometer 64 (Autumn 2005) shows that Latvian data is in line with the average parameters of the EU. Only 31% of the respondents in Latvia were in favour of Turkish EU membership while 51% were against it.<sup>49</sup>

The general support of further expansion of the EU does not mean that Latvia does not have red lines when it comes to the accession negotiations. Latvia is unlikely to allow better conditions (compared to Latvia's EU accession conditions) to be offered, for example, to Croatia.

There is no interest in a "big bang" accession of Balkan countries, as Latvia supports the idea of evaluating every potential member state according to its own merits.

All political parties represented in the parliament support further EU enlargement. There are several non-governmental organisations that advocate for this, too, for example, the European Movement in Latvia and the Latvian Platform for Development Cooperation LAPAS.

The strong support for EU enlargement from the political elites and the public makes Latvia a Policy Driver on this issue. It is unlikely that this position will change due to Latvia's own recent EU accession experience and the solidarity it has for candidate countries.

## **2.2. General issue: Preference for any particular country in the framework of ENP**

### **Definition: Policy Driver**

### **Outlook: Policy Driver**

According to Latvia's basic principles, goals, priorities and actions for Latvia's EU membership for 2007-2013, Latvia's specific objective in its participation in the ENP is to export Latvia's transition experience to the new democracies in CIS region and the EU's neighbouring countries. Latvia sees it as the duty of all New Member States to fill the European Neighbourhood policy with content. Here Latvia supports helping Eastern countries — like Georgia, Ukraine and Moldova — that are hoping for closer EU integration.<sup>50</sup> Latvia supports a stronger Eastern Partnership in the ENP for Georgia, Ukraine, Moldova. These countries are the three priority countries for Latvia in ENP and also for Latvia's development cooperation policy. In this regard Latvia has some homework to do, for example, in following its commitments in development cooperation aid. In 2005 the government made commitments to increase official development aid to 0.1% of GNP in 2010, with the biggest increase for planned bilateral development aid. However, the budget for bilateral development aid is very unlikely to reach the promised levels as there is a strong need to cut public expenditure and exercise financial discipline. This means that Latvia's overall budget for development aid is very likely to fall short of the anticipated 0.17% of GNP, according to EU plans.

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<sup>47</sup> Website of the Latvian Foreign Affairs Ministry, <http://www.mfa.gov.lv/lv/eu/ES-paplasinasanas/> Last accessed in December 2008.

<sup>48</sup> The Autumn 2005 Eurobarometer poll showed that 62% of Latvians were in favour of further expansion of the European block, and only 26% were against. Source: Eurobarometer 65, First results, July 2006.

<sup>49</sup> The average data from the 10 New Member States was 38% in favour and 44% against, in comparison to 29% in favour and 57% against the Turkish EU accession amongst respondents in the EU-15.

<sup>50</sup> Latvia's Foreign Affairs Minister Māris Riekstiņš, in an article published in the daily newspaper *Neatkarīga Rīta Avīze*, 9 May 2008.

Latvia strongly insisted on the need to conclude an agreement between the EU and **Moldova**, and managed to receive EU support on this issue, which can be considered as Latvia's success.

Latvia also thinks that the EU should conclude a comprehensive agreement with **Ukraine** as a basis for deepening EU-Ukraine relations. One particular interest for Latvia is the creation of free trade zone with Ukraine. Latvia supports the inclusion of an ssEU integration perspective for Ukraine in the political preamble of the agreement. As indicated earlier, Ukraine also enjoys the highest level of public support for EU membership in Latvia (compared to support for the EU accession of other countries).

As to **Georgia**, Latvia supports visa liberalisation, international engagement in resolving the issues of South Ossetia and Abkhazia, and the deepening of Georgia-EU relations including eventual negotiations on a free trade agreement.

In light of the recent Georgia-Russia conflict, Latvia's position is rather clear. It supports Georgia and requests a revision of EU-Russia relations based on new foundations in the aftermath of the conflict. Latvia was among the EU members that tried to secure the deployment of an EU mission in Georgia prior to the conflict's escalation in August, however, that was not possible. Latvia's President, together with his counterparts in Estonia and Lithuania, were the first EU leaders to issue a strong condemnation of Russia's operations in Georgia. But Latvia's Prime Minister joined the leadership of the other Baltic countries, Poland and Ukraine, who visited Tbilisi just as the conflict had escalated. Latvia's Foreign Affairs Minister Māris Riekstiņš, talking to the press, agreed that finding a common EU position would not be easy, however, he insisted on the need to follow international laws. He said that this precedent had demonstrated that "one country can intervene in the issues of another country".<sup>51</sup>

Given the historical ties between Latvia and Georgia, as well as memories of Soviet aggression in the Baltic States, it is not surprising that Latvia insisted on a stronger EU policy against Russia. Latvia also sent humanitarian aid, and donated funds for Georgia's post-conflict recovery in the amount of EUR 142 000, with an additional EUR 850 000 for recovery and development projects until 2011. However, the national consensus on support for Georgia is not unanimous, as the left-wing political parties For Human Rights in a United Latvia (PCTVL) and Saskaņas centrs (Concord Centre) supported Russia's perspective on the conflict. For example, PCTVL wanted the Latvian parliament, Saeima, to approve the independence of South Ossetia and Abkhazia. These parties insisted on a more balanced evaluation of events from the Latvian government.

Georgia also enjoys strong support among the public. Several thousand people joined demonstrations in Riga in support of Georgia. At the same time, there is some fragmentation on this issue as some hundred people were demonstrating in support of Russia, taking the line of left-wing political parties. Moreover, as Latvian companies have business interests in Russia, there are some voices (for example, the Latvia's Employers' Confederation LDDK) asking for more balanced statements from Latvia that would not affect their interests in Russia.

Currently there is a national consensus on this issue in support of Georgia. However, a change in position is possible if the left-wing parties come to power, such as For Human Rights in a United Latvia (PCTVL) and Saskaņas centrs (Concord Centre) that insist on a more pragmatic and conciliatory relationship with Russia and whose positions are more in line with Russia's position (this seems unlikely because they have never been in coalition since Latvia regained independence).

On ENP there is national consensus because all political parties represented in Saeima have expressed their support for EU's Neighbourhood Policy. Business groups also see possibilities to develop business contacts in these countries. Several non-governmental organisations, such as the Soros Foundation in Latvia, the Latvian Platform for Development Cooperation LAPAS, and the European Movement in Latvia, also support closer relationships between the EU and EU's neighbouring states, in particular the three priority countries for Latvia: Moldova, Georgia and Ukraine. Thus, Latvia is a Policy Driver on this issue, and is unlikely to change its position.

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<sup>51</sup> Quote from an article in daily newspaper *Diena*, 15 August 2008.

### 2.3. General issue: Enhanced ESDP

**Definition: Policy Taker**

**Outlook: Policy Taker/ Killer**

On this issue there is a national consensus that while enhancing ESDP to strengthen EU's role in the world, the capacities of NATO should not be weakened and no double institutions established. For example, one of the current coalition parties, People's Party (TP), is against any moves that would weaken NATO.<sup>52</sup> While another coalition party, Christian conservative Latvia's First Party (LPP), supports "a united and effective common European foreign and security policy that would strengthen the EU's role in the world, at the same time not allowing the weakening of the transatlantic ties with NATO and the establishment of twin security structures."<sup>53</sup> The opposition party, conservative New Era (JL), also supports the strengthening of NATO "that is and will remain the most significant security guarantee in Europe and the world". Thus, European security and cooperation policy should be developed "in harmony with transatlantic relations deepening strategic cooperation between the EU and NATO."<sup>54</sup> Close Latvia-US relations explain the national consensus against any moves that would weaken NATO.

As a result, Latvia supports the strengthening of the EU-NATO strategic partnership in crisis management, securing effective coordination in planning of operations and cooperation on the ground, for example, in Kosovo and Afghanistan. Latvia supports the establishment of a technical agreement between EU and NATO to sustain these goals. Latvia also supports the expansion of EUPOL mission in Afghanistan (including territories outside Kabul) and better coordination with other international organisations like the UN and NATO.

With the strong support against any moves that would weaken NATO, Latvia seems to have the potential to be a Policy Killer should some proposals enhancing ESDP imply the weakening of the North Atlantic Treaty Organisation. However, overall Latvia can be qualified as Policy Taker on ESDP, with its position resembling that of the EU mainstream.

### 2.4. General issue: Position towards Kosovo

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia was among the first countries to recognise the independence of Kosovo. Latvia's Foreign Affairs Minister Māris Riekstiņš said that it was "the only right step in the current situation" that would also enhance stability in the Western Balkans.<sup>55</sup> Latvia provides strong political support to Kosovo, also being one of the first countries to establish diplomatic ties. In July 2008 Latvia's Foreign Affairs Minister also visited Pristina as one of the few EU leaders to do so.

Latvia sees many historical similarities in the experiences of Latvia and Kosovo, therefore it is ready to provide both political and practical support in the development of Kosovo, including the development of institutions taking into account the lessons learned from Latvia's experience in early 1990s. Latvia has been part of KFOR since 1999, with approximately 20 soldiers deployed there currently. Scores of people from Latvian institutions as well as private consultants from Latvia are currently consulting Kosovo on internal, judicial and border issues, as well as questions of governance and the establishment of the judicial system.

Latvia supported the establishment of EU's mission EULEX in Kosovo. Latvia also participates in the mission with 10 experts: 4 policemen, 2 border guards, 3 dog

<sup>52</sup> "Tautas Partijas rīcības programma darbībai Eiropas Parlamentā", (TP plan of action in the European Parliament) [http://www.tautaspartija.lv/lat/par\\_ko\\_mes\\_esam/eu\\_parlaments](http://www.tautaspartija.lv/lat/par_ko_mes_esam/eu_parlaments) Last accessed in December 2008

<sup>53</sup> "LPP 4000 zīmju programma Eiropas Parlamenta vēlēšanām" (LPP short programme for the EP election), [http://www.lpp.lv/new/index.php?section\\_id=102&article\\_id=315](http://www.lpp.lv/new/index.php?section_id=102&article_id=315) Last accessed in December 2008

<sup>54</sup> Partijas Jaunais Laiks programma – vērtību deklarācija" (The programme – Declaration of values of a New Era), <http://www.jl.lv/page.php?id=2617> Last accessed in December 2006

<sup>55</sup> Quoted in daily newspaper *Diena*, 21 February 2008.

leaders and one representative from the Foreign Affairs Ministry (2 are deployed in Kosovo as of April 2008, the placement of other experts is pending).

Latvia thinks that a solution should be found in cooperation with the UN on the transfer and reconfiguration of UNMIK functions to expand on the EULEX mission. Latvia also supports enhancing Kosovo participation in EU and international community initiatives in the Western Balkans, such as the stabilisation and association process, the visa liberalisation system, EU financial aid, and other regional cooperation formats. Latvia sees the stability of Kosovo as an essential part of sustainable economic and social development of the Western Balkan region.

The support for Kosovo independence was not unanimous in Latvia. For example, the left-wing political party PCTVL did not support Kosovo independence, insisting that it did not comply with the requests of the international community (such as human rights, return of refugees, etc. that were conditions for establishing independence) and therefore did not have the right to proclaim its independence. However, the position of PCTVL is not influential enough to change Latvia's position at the moment.

In general, Latvia seems to be very active supporter of Kosovo because of historical similarities between the countries and a feeling of solidarity. In addition, Latvia is actively involved in the development of the country. Thus, Latvia can be qualified as a Policy Driver on this issue. This outlook could change if the left-wing parties come to power, which is rather unlikely.

## 2.5. General issue: Transatlantic relations

### **Definition: Policy Taker**

### **Outlook: Policy Taker**

As many other New EU Member States, Latvia supports the strengthening of EU-US relations because of the close bilateral ties with the US. Key issues on the transatlantic agenda for Latvia are:

- security and cooperation with Europe's Eastern neighbours (priority countries for Latvia are Georgia, Moldova and Ukraine),
- energy,
- economic cooperation.

It is hard to imagine a **security** issue on which Latvia would not support the US, including US policy in Iraq and Afghanistan. Latvia does not put support for the US in question because Washington is considered as the country's only security guarantee. In practical terms, security has also been the field where Latvia's cooperation with the US has been the strongest. As this is linked to Latvia's NATO membership, it is unlikely to change in the future. Latvia also supports more EU-US strategic dialogue on security issues, where, again, the weakening of NATO is to be avoided, and instead more EU-NATO cooperation should be enhanced.

Latvia's interest in strengthening **EU-US policy towards Europe's Eastern neighbours** has become a topical security issue with the Russian military operation in Georgia. Latvia strongly condemns Russia's aggression and believes that the US, NATO as well as the EU, as the key actors for transatlantic stability, should play a leading role in securing the freedom and security of countries neighbouring the EU. Latvia also stresses the need to offer a Membership Action Plan for Georgia and Ukraine as preparation for NATO membership. Latvia believes that strengthening ties between NATO and the Caucasus countries will guarantee the sovereignty and territorial integrity of sovereign states and more stability in the region, and will prevent the escalation of new conflicts between Russia and its neighbouring countries. Latvia also supports a coordinated position of the EU and the US on relations with Russia, including energy policy.

Dependence on Russia's **energy** resources is one of the main concerns in Latvia. Latvia is interested in reducing this dependence and sees the US as a serious partner in looking for possibilities to diversify the EU's energy supply and developing alternative energy sources. Latvia supports a constructive and balanced discussion between the EU and the US on energy and climate change.

Latvia will continue to work on intensifying **economic relations** with the US, aiming at attracting more investments to increase competitiveness. In November 2008 Latvia finally achieved the introduction of visa-free regime that is likely to ease the establishment and maintenance of economic ties. Logically, Latvia supports the introduction of visa-free regime between the US and all EU Member States. Latvia also supports the continuation of the Transatlantic Economic Council (TEC) that would strengthen the existing and establish new initiatives for transatlantic economic integration, especially in the areas of innovation, recognition of professional qualifications, and the introduction of common standards in some sectors.

There is a national consensus on this issue. However, Latvia's positions do not seem to be detailed and it seems that Latvia follows the EU lead, which qualifies Latvia as a Policy Taker rather than a Policy Driver.

### **3.1. Specific issue: Completion of accession negotiations with Croatia**

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia strongly supports Croatia's accession to the EU and believes that the accession negotiations will most likely be completed in 2009. Moreover, Latvia prepared a proposal for the December 2008 General Affairs and External Relations Council, and found support among other Member States to include in Council documents a reference of support for the Commission's assessment that accession negotiations with Croatia could be concluded in 2009.

Latvia is also actively involved in finding a solution in the Slovene-Croatian border dispute, explaining Latvia's proposals to Croatia, the EU presidency and the Commission. Latvia also shares its EU accession experience with Croatia.

However, as the negotiations with Croatia are close to the finishing line, controversial issues like common agriculture policy, cohesion policy and free movement of workers are to be discussed. Here Latvia is unlikely to allow better conditions to be offered to Croatia, as compared to Latvia's EU accession conditions. In this case it is expected that other countries would also follow suit, although until now no red lines have been crossed.

The support for Croatia's EU membership is strong among the political parties. For example, the ruling conservative People's Party (TP) supports "a more dynamic negotiation process" with Croatia.<sup>56</sup> Public opinion is also rather supportive, with approximately 40% of Latvians supporting EU membership of Croatia.

Latvia's active position in support of Croatia's EU accession makes Latvia a Policy Driver on this issue.

### **3.2. Specific issue: Opening of accession negotiations with Macedonia**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia thinks that the step of opening accession negotiations can be taken only when the political accession criteria (free and democratic elections) is fulfilled. Compared to the support for EU membership of other countries, the support for Macedonia's EU accession among the political parties and public opinion is weaker. It is considered as a less topical issue, although Latvia in general supports the EU accession of all Western Balkan countries. Latvia seems to follow the EU mainstream on this issue, which makes Latvia a Policy Taker.

### **3.3. Specific issue: Signing of SAA with Serbia**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supports the condition that the ratification of the Stabilisation and Association Agreement should be completed only when Serbia demonstrates full cooperation with the ICTY. Latvia seems to follow the EU mainstream on this issue, as it does not have

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<sup>56</sup> "Tautas Partijas programma 9.Saeimas vēlēšanām", (TP programme for the 9<sup>th</sup> Saeima elections) 2006 <http://www.tautaspartija.lv/jpg/programma2006.pdf> Last accessed in December 2008.

as strict a position as the Netherlands that believes that certain criminal suspects must be caught and extradited to the tribunal. Latvia does not have an active position on this issue and will start the ratification when other countries set an example following evidence that Serbia cooperates with the Hague adequately. This qualifies Latvia as a Policy Taker on this issue.

### **3.4. Specific issue: Blockage of accession talks with Turkey**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supports Turkey's drive towards the EU and was also among the countries that supported the opening of accession negotiations between Turkey and the EU.<sup>57</sup> It also supports continued progress in accession negotiations because it believes that accession negotiations provide a stimulus for reforms in Turkey. As a result, the blockage of negotiations is seen as a negative influence on the internal situation, including the diminishing support for the country's EU accession within Turkey.

According to the Eurobarometer, only 31% of the respondents in Latvia were in favour of Turkish EU membership while 51% were against it. Thus, the general support for Turkey's EU accession is stronger among political elites than among the public. However, the ruling conservative People's Party (TP) supported "the creation of a concept of privileged partnership agreement within the EU for providing a base for more intensive cooperation with its partners".<sup>58</sup> In addition, representatives of another coalition party, For Fatherland and Freedom/ LNNK (TB/LNNK), have repeatedly called for a special partnership between Turkey and EU. This has, however, not changed Latvia's position of support for Turkish EU accession.

In general, it seems that Latvia's position on Turkish EU accession negotiations is more supportive of Turkey than the EU mainstream. However, it does not seem that Latvia is a Policy Driver on this issue as it largely follows the EU's developments, not coming with its own proposals. This qualifies Latvia as Policy Taker on this issue.

### **3.5. Specific issue: Polish – Swedish initiative for ENP Eastern Partnership**

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia strongly supports this initiative and in fact is one of the strongest supporters of it, expecting that the Eastern Partnership will be established in May 2009. This partnership applies also to the three priority countries for Latvia in ENP and its development cooperation policy: Georgia, Moldova and Ukraine (please refer to the section on ENP for more details).

As there is a strong support for this initiative, and a strong national consensus on more EU engagement with Latvia's priority countries, Latvia can be classified as a Policy Driver on this issue. It is unlikely that this position would change.

### **3.6. Specific issue: Strategy for the Black Sea Region/Black Sea Synergy Implementation assessment**

**Definition: Policy Taker**

**Outlook: Policy Taker**

This issue is not essential for Latvia because of Latvia's geographic location in the Baltic Sea region, which explains why Latvia's priority is the Baltic Sea Strategy. Latvia is likely to be a Policy Taker on this issue.

### **3.7. Specific issue: Strategy for the Baltic Sea Region**

**Definition: Policy Driver**

**Outlook: Policy Driver**

Latvia has strong self-interests in the Baltic Sea region strategy that should enhance the competitiveness and sustainability of the region, and consequently also contribute

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<sup>57</sup> Website of the Latvian Foreign Affairs Ministry <http://www.mfa.gov.lv/lv/Arpolitika/divpusejas-attiecibas/Turcija/> Last accessed in December 2008.

<sup>58</sup> "Tautas Partijas programma 9.Saeimas vēlēšanām", (TP programme for the 9<sup>th</sup> Saeima elections) 2006 <http://www.tautaspartija.lv/jpg/programma2006.pdf> Last accessed in December 2008.

to enhanced competitiveness of the whole EU, including the reaching of Lisbon Strategy goals. Therefore Latvia strongly supports the strategy.

Latvia thinks that the strategy should enhance more effective use of finances for Baltic Sea region initiatives. It also supports the inclusion of the existing cooperation networks — like the Northern Dimension, the Council of the Baltic Sea States, the Nordic Council, the Baltic Assembly, etc. — as important frameworks for the implementation of the strategy, especially with regard to non-EU countries. Latvia supports a strong role of the Commission in the implementation of the strategy, and its regular evaluation.

The priority areas for Latvia are:

- a. Energy.** Latvia supports the establishment of an integrated, well-functioning and competitive energy market in the region with established intra-connections and new energy sources. Latvia also thinks that more support is needed for the introduction of renewable energy production using new technologies. Another problem area to be addressed is the energy efficiency of production and buildings.
- b. Competition.** Latvia thinks that the strategy should work on supporting the business environment in the region, including more effective implementation of EU market legislation by reducing obstacles to innovative entrepreneurship, regional labour market development, regional clusters and small and medium-sized businesses, integrated planning of sea and coastal regions, transport links between the Eastern coast of the Baltic Sea and European transport networks (for example, Rail Baltica and Via Baltica projects), and transport connections to neighbouring countries.
- c. Education, science and culture.** Latvia supports the creating of a common “knowledge space” in the region, establishing the so-called “fifth freedom”: freedom of knowledge that would include the improvement of innovation, production, market research, education and science infrastructure. Latvia also thinks that the competitiveness of universities should be enhanced, including more mobility of students and academic staff. In addition, Latvia supports the enhancement of competitiveness and diversity of national and local culture and creative industry products.
- d. Environment.** As the Baltic Sea is one of the most polluted seas in the world, Latvia strongly supports measures that would prevent and evaluate pollution risks, develop cooperation with third countries in the field of environmental protection, and improve monitoring of the sea environment, including the impact of agriculture and other activities in the confluence basin.
- e. Public security.** Here Latvia supports closer cooperation between institutions that deal with fighting crime in the region. More cooperation should also be established between crisis management institutions, as well as in the area of dealing with disasters caused by climate change.

There is a strong self-interest for Latvia in this strategy, thus there is a strong national consensus on this issue. Business interest groups also see it as a possibility for regional development. Therefore Latvia can be qualified as a Policy Driver on this issue.

### **3.8. Specific issue: Revision of European Security Strategy**

**Definition: Policy Taker**

**Outlook: Policy Taker / Policy Killer**

Latvia supports the revision of the European Security Strategy. The current strategy, “A Secure Europe in a Better World”, was approved in December 2003, and is outdated because it covers the EU prior to the big bang enlargement. Latvia believes that the revised strategy should not only take into account the EU’s new external borders, but also should end EU’s passivity with regard to conflicts on the EU’s frontiers (such as in South Ossetia and Abkhazia).

Latvia’s position includes some detailed proposals like the need to allow the EU to send experts for incident investigation, to allow the EU to solve crises by sending combat groups, as well as strengthening EU’s ties with the US and NATO in this regard.

With strong support against any moves that would weaken NATO, Latvia seems to have the potential to be a Policy Killer should some proposals imply the weakening of the North Atlantic Treaty Organisation. However, overall Latvia can be qualified as Policy Taker on this issue, with its positions not being detailed and resembling those of the EU mainstream.

## VI. Freedom, Security and Justice

1. Overview
2. General issues:
  - 2.1. Common European asylum system
  - 2.2. Common European migration policy
  - 2.3. Enhanced role in co-operation of law enforcement agencies and their co-operation at EU level
  - 2.4. Harmonisation of serious aspects of cross-border crimes
3. Specific issues:
  - 3.1. Establishment of Eurosur (European border surveillance system)
  - 3.2. Establishment of entry–exit system and other border management tools
  - 3.3. Amendments of asylum-related regulations (2003/9/EC – reception conditions for asylum seekers, regulation 343/2003 on the determination of Member States responsible for assessing asylum applications)
  - 3.4. Evaluation of FRONTEX and the future developments in this area

### 1. Overview

Latvia's border is an external border of the EU, and it is a relatively new member of Schengen area, thus issues linked to migration are significant questions for the country. Latvia needs to adjust its policies from being a source country to becoming a destination country for migrants. The country also needs to address labour shortages by recruiting third-country nationals. However, Latvia's public opinion against migrants is one of the most hostile in the EU, with one of the coalition parties, the nationalistic For Fatherland and Freedom/ LNNK, strongly opposing a more liberal approach to migration policy. But on many of these issues Latvia is a Policy Taker as its position is in the EU mainstream and it is not an active promoter of proposals.

The two priorities among the defined questions for Latvia are:

1. Common European migration policy, because migration is a sensitive issue for Latvia which makes the country careful in European level debates. Therefore Latvia can be qualified as a Policy Driver or a Policy Killer on this issue, if some proposals are too liberal. The only exceptions are the Blue Card directive, where the country can be qualified as Policy Driver because it secured changes in the draft directive in line with Latvia's position.
2. European border surveillance system, where Latvia has strong self-interest because Latvia's border is the eastern external border of the EU, although Latvia does not have the same pressure from irregular migration as southern European countries. The strong self-interest makes Latvia a Policy Driver.

But the most important issue in this area for Latvia is the **proposal for a Council framework decision on combating racism and xenophobia** because Latvia links this proposal to **crimes committed by all totalitarian regimes** (not just the Nazi regime but also the Communist regime). Latvia (together with other New Member States) stressed the need to apply this framework decision to crimes committed by totalitarian regimes, and it also proposed the organisation of a European hearing on crimes of genocide, crimes against humanity and war crimes committed by totalitarian regimes to enhance common understanding about European history. This conference would also serve as a basis for a decision on whether there is a need to adopt a legislative act for criminal liability for persons who publicly condone, deny, grossly distort or trivialise crimes conducted by all totalitarian regimes.

The first such discussion took place in Brussels in April 2008. In the concluding remarks of this hearing historians and politicians from Latvia, Lithuania, Estonia, Slovakia, Slovenia, the Czech Republic, Poland, Hungary and Bulgaria invited the Commission and EU Member States to ensure an equal attitude towards the victims of all totalitarian regimes, to establish a day of remembrance for the victims of totalitarian regimes, establish a European museum about totalitarian regimes, secure open access to archives with information about crimes conducted by totalitarian regimes, as well as to establish a European fund that would educate the public about the historic facts. During the EU summit of 19-20 June 2008, EU leaders agreed to continue these discussions.

Latvia also supports the initiative of the Czech Republic to seek the establishment of a new European body that could serve as a research institute on totalitarianism and a museum of victims of totalitarian regimes.

On this issue there are opposing voices from the left-wing political parties. For example, in 2005, when Latvia's Parliament adopted a resolution condemning crimes conducted by the Soviet occupation regime, 23 (of 100) parliamentarians voted against it, representing the left-wing opposition parties For Human Rights in a United Latvia (PCTVL), Latvia's Socialist Party (LSP) and People's Harmony Party (TSP).

Although there is no national consensus, Latvia is a Policy Driver on this issue.

### Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities Crimes conducted by totalitarian regimes Common European migration policy European border surveillance system	Policy Driver Policy Taker, with the exception of Blue Card directive where the country can be qualified as Policy Driver; Potential to become a Policy Killer if too-liberal proposals are raised Policy Driver	No national consensus No national consensus National consensus	Outside the mainstream Within the mainstream Within the mainstream
2.1. Common European asylum system	Policy Taker	National consensus	Within the mainstream
2.2. Common European migration policy	Policy Taker, with the exception of Blue Card directive where the country can be qualified as Policy Driver; Potential to become a Policy Killer if too-liberal proposals are raised	No national consensus	Within the mainstream
2.3. Enhanced role in co-operation of law enforcement agencies and their co-operation at EU level	Policy Taker	National consensus	Within the mainstream
2.4. Harmonisation of serious aspects of cross-border crimes	Policy Taker	National consensus	Within the mainstream
3.1. Establishment of Eurosur (European border surveillance system)	Policy Taker	National consensus	Within the mainstream
3.2. Establishment of entry – exit system and other border management tools	Policy Taker	National consensus	Within the mainstream
3.3. Amendments of asylum – related regulations	Policy Taker	National consensus	Within the mainstream
3.4. Evaluation of FRONTEX and the future developments in this area	Policy Taker	National consensus	Within the mainstream

#### 2.1. General issues: Common European asylum system

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia's border is the external border of the EU, thus the asylum system is a significant question for Latvia, although the country receives low numbers of asylum seekers. 203 persons have requested asylum in Latvia in the period 1998-2007.

Latvia supports the goals of the second phase of the Common European asylum system. However, the system should be established gradually, regularly assessing the results of the previous steps and planning new regulations if they are necessary. Latvia thinks that the common asylum system should be based on Member State national institutions and national decision-making, thus Latvia thinks that only the common understanding of the common EU asylum system standards and their interpretation

should be strengthened. This should eliminate the possibility of different interpretations in different Member States. Latvia also insists on compliance with the subsidiarity principle and division of competences between national and EU level. Latvia also supported the idea of enhancing practical cooperation between the countries, as well as the idea to maintain the membership of each country in the asylum transfer programs on a voluntary basis.

According to public opinion polls, Latvia's society is rather divided on the issue of asylum seekers. Almost half of the population believes that Latvia should grant asylum, while 36% are against this idea. 39% of respondents believe that Latvia should support asylum seekers with allowances and social aid. The fact that 30% would not give a job to asylum seekers, and that 24% would not want to have them as their neighbours, is indicative of the general attitudes of the population towards asylum seekers.<sup>59</sup>

On this issue Latvia's position can be qualified as Policy Taker.

## **2.2. General issues: Common European Migration Policy**

**Definition: Policy Taker, with the exception of Blue Card directive where the country can be qualified as Policy Driver**

**Outlook: Policy Taker, with the potential to become a Policy Killer if too-liberal proposals are raised**

Latvia's interests in this area are influenced by a number of factors:

- a) Latvia's border is the external border of the EU;
- b) Latvia needs to adjust its policies from being a source country to becoming a destination country for migrants,
- c) Latvia needs to address labour shortages by recruiting third-country nationals.

Latvia supported the draft directive on minimal sanctions for employers employing third-country nationals that are irregular migrants. One particular question of interest was the responsibility of the company when its subcontractor has illegally employed a third-country national. Latvia insisted that only minimal harmonisation should be applied in this field that would allow more flexibility according to the needs of each Member State, and would not create additional administrative burden.

Latvia also overall supported the draft directive on common standards and procedures for the return of third-country nationals whose stay in the EU was illegal. Latvia stressed that the procedural guarantees for third-country nationals should be balanced with the Member State's right to expel irregular migrants. The most important issue here was the request to secure judicial aid free of charge to irregular migrants, in case their income is not sufficient. According to Latvia's position, this should be left to national decision-making, which in the end was the European compromise: that free-of-charge judicial aid will be granted to persons in accordance to national legislation.

Latvia also overall supported the so-called Blue Card draft directive. However, as labour markets differ widely within the EU, Latvia believes that all harmonisation measures in the field of regular (legal) migration should be strongly balanced with the labour market needs of each Member State, thus the admission of regular migrant workers should be based on vacancies and a signed employment contract. Initially, Latvia's position differed from the Commission's proposal with regard to the definition of highly skilled worker, with Latvia insisting that a highly skilled worker must have a university degree, not only several years of experience in the field. Another objection was with regard to the income limits set for a highly skilled worker. Whereas the proposal said that a highly skilled worker should have the income of at least 3 minimum wages, Latvia thought that their income should be linked to the average wage. In the end Latvia achieved that the final proposal text included a definition that a highly skilled worker is someone with a university degree that can — only in exceptional cases — be replaced with the requirement of at least 5 years professional experience in the field, in line with national legislation. The final proposal text also links

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<sup>59</sup> Attitudes of Latvia's population, state officials and representatives of non-governmental organisations towards asylum seekers (Latvijas iedzīvotāju, valsts amatpersonu un NVO attieksme pret patvērumu meklētājiem), Baltijas Sociālo zinātņu institūts, Starptautiskā Migrācijas organizācija, Rīga, 2005.

the income of highly skilled worker to average wages, so Latvia has managed to secure support for both of these specific positions.

As a country with an EU external border, Latvia strongly supports measures to fight irregular migration, especially the need to strengthen cooperation with third (source) countries within the European Neighbourhood Policy, and Russia, Western Balkans and Turkey. Latvia supported the initiation of pilot projects of mobility with Moldova and Cape Verde.

Public opinion against migrants is hostile: according to a 2003 poll, Latvians had the most negative attitudes towards immigrants in the EU, with two-thirds of the population opposed to the possibility to grant political rights to legal migrants and one-third favouring repatriation policies towards legal migrants.<sup>60</sup> Although the polls show decreasing negative attitudes in the last years, 62.1% of respondents had "very negative" and "rather negative" attitudes towards migrant workers in 2007 (23.2% of respondents had "very positive" and "rather positive" attitudes towards immigrants in 2007).<sup>61</sup>

One of the coalition parties, the People's Party, has issued a statement that it does not support "uncontrolled immigration". Another coalition party, the nationalistic For Fatherland and Freedom/LNNK (TB/LNNK), in April 2008 issued a resolution supporting policies enhancing the emigration of "non-Latvians" and restricting the immigration of "non-Latvians". TB/LNNK holds the post of Minister of Economy, and this has been one of the factors slowing down the adoption of more flexible national procedures for the employment of third-country nationals. The national policy document on migration policy (aimed for adoption in government in 2007) has not been adopted, as there was no political will to do so.

But employers and human rights activists are in favour of more liberal migration policy. The most important player in this field is the Employer's Confederation of Latvia (LDDK), which put intensive and long pressure on the government such that as of July 2008 it adopted easier procedures and reduced state fees for the employment of third-country nationals. Some representatives of non-governmental organisations and academia that emphasise the human rights of migrants support the employers' position. In addition, the left-wing political parties such as, for example, For Human Rights in a United Latvia (PCTVL), who also strongly speak out for human rights, seem to be supportive of a more liberal approach to migration.

Although Latvia's position on these issues seems within the EU mainstream, there is no national consensus on these issues, and migration policy is a very sensitive question for Latvia. Therefore it seems that the country is careful when it comes to debating migration policy on the EU level, which makes the country a Policy Taker on most of these issues. However, as the example with the Blue Card directive shows, Latvia has been successful in securing support for some of its specific positions, so it has been a Policy Driver of the Blue Card directive. As a result, Latvia can be qualified as Policy Taker on most migration issues, with the exception of Blue Card directive. The country also has the potential of becoming a Policy Killer on this issue, should some proposals be too liberal.

### **2.3. General issues: Enhanced role in co-operation of law enforcement agencies and their co-operation at EU level**

#### ***Definition: Policy Taker***

#### ***Outlook: Policy Taker***

Latvia supported the initiative to make amendments to Eurojust to improve cooperation between Eurojust and Member State authorities, including the need to improve information exchange on criminal cases between Member States, other EU institutions and third countries. But Latvia opposed creating additional administrative burden by setting the requirement that information on all crimes should be automatically shared. As a result, a compromise was found to set criteria that will limit the amount of information to be shared with Member States.

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<sup>60</sup> Eurobarometer data, Source: Majorities' Attitudes towards Migrants and Minorities, European Union Agency for Fundamental Rights, 2005.

<sup>61</sup> SKDS (2007). Sabiedrības integrācijas aktuālākie aspekti. Latvijas iedzīvotāju aptauja. (Most topical aspects of social integration. Survey of Latvian inhabitants.)

Latvia also supported cross-border cooperation improvement initiatives in line with the Prüm Convention Treaty, which would combat terrorism and cross-border crime, for example, allowing automatic access for Member States to DNA, fingerprints, as well as databases of vehicle owners. Latvia currently does not have a centralised biometrics data processing system, however it is planned to establish one by 2010.

One particular issue for Latvia was the framework decision on the recognition and supervision of conditional sentences and alternative sentences that would allow Member States to recognise, supervise and implement sanctions announced in another Member State. Initially Latvia was against this proposal, as it could not recognise sanctions that are not included in national legislation, like suspended sentences. However, later Latvia agreed to the compromise that in cases where Member States' national legislation does not include some type of sanction, it would not recognise it, but would, however, supervise the coercive methods and let the Member State that issued the sentence take all the decisions in case of violations.

Latvia's position on this issue seems to be of a Policy Taker.

#### **2.4. Harmonisation of serious aspects of cross-border crimes**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supported initiatives with regard to enhancing Eurojust's role and implementing the Prüm Convention Treaty (see above for more details).

In addition, Latvia supported the revision of the Council's Framework Decision on Fighting Terrorism (2002/475/JHA), including the obligation of the Member States to criminalise terrorism, to prevent the recruitment (including using the internet) and carrying out of terrorist acts (revision in COM (2007) 650 of November 6, 2007). Latvia made the necessary amendments in the national penal code to ensure that it is in line with this Council decision (amendments are in force since January 2008).

Latvia is a Policy Taker on this issue.

#### **3. 1. Specific issues: Establishment of Eurosur (European border surveillance system)**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia has strong self-interest in this issue because Latvia's border is the eastern external border of the EU, although Latvia does not have the same pressure from irregular migration as southern European countries have. As a result, Latvia supported the establishment of the European border surveillance system that would create mechanisms to help Member States that face serious problems with their border control. This help would include temporarily posting personnel and exchange of information from other Member States.

Latvia also supported the establishment of the External Borders Fund for 2007-2013 that would allow Member States with EU external borders to access EU funds to strengthen their borders. In the case of Latvia this means that EUR 1.5 million will be available annually via the External Borders Fund. Latvia sees the strengthening of external borders as an effective instrument in combating irregular migration.

Despite the fact that there is a strong self-interest in this issue, Latvia can be qualified as a Policy Taker on this issue as it does not seem to have detailed positions on it and Latvia seems to follow the EU's lead.

#### **3.2. Specific issues: Establishment of entry – exit system and other border management tools**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supported the Communication "On an entry/exit system at the external borders of the European Union, facilitation of border crossings for bona fide travellers, and an electronic travel authorisation system" (COM(2008) final).

Latvia supported the regulation on the Visa Information System (VIS) that introduces exchange of information about short-term visas among Member States. Latvia has some homework to do before being able to join the central Visa Information System,

once it is secured. One particular issue was making amendments to the common consular instruction to reorganise the procedures and build new infrastructure for collecting and storing biometric data at the consular departments of Member States. Latvia supported this proposal, although Latvia does not have essential practical experience in using biometric data.

Latvia also supported the Commission's proposal on the community regulation intended to consolidate and to a certain extent reform the existing community provisions governing the granting of Schengen visas, the so-called "visa code". Latvia supported common criteria for issuing visas in the Schengen area that would ensure more efficiency and also help control irregular migration.

Latvia also supported the Council Regulation (EC) No 380/2008 of 18 April 2008 amending Regulation (EC) No 1030/2002 laying down a uniform format for residence permits for third-country nationals. The regulation includes the requirement to issue residence permits in the form of one separate document (card) that would (after a transitional period) also include biometric data for all persons starting from the age of 6.

Latvia is a Policy Taker on this issue.

### **3.3. Specific issues: Amendments of asylum-related regulations (2003/9/EC – reception conditions for asylum seekers, regulation 343/2003 on the determination of MS responsible for assessing asylum applications)**

#### **Definition: Policy Taker**

#### **Outlook: Policy Taker**

Latvia positively evaluated Commission's policy plan "*Asylum – an integrated approach to protection across the EU*". Being a country with a rather low number of asylum applications (see above), Latvia is particularly interested in the proposed solidarity among Member States in sharing the burden of asylum seekers. Latvia supports the idea of maintaining the membership of each country in the asylum transfer programs on a voluntary basis. Latvia also supports the plan to conduct research before deciding on the establishment of common asylum application system in the EU.

Latvia is a Policy Taker on this issue.

### **3.4. Specific issues: Evaluation of FRONTEX and the future developments in this area**

#### **Definition: Policy Taker**

#### **Outlook: Policy Taker**

Latvia supported the proposal to increase the role of FRONTEX, especially in risk analysis and data communication, in enhancing cooperation between national border guards and customs, improving cooperation between Member States on sea borders, securing successful irregular migrant return operations, etc. However, like many other Member States, Latvia was sceptical about giving FRONTEX the right to engage in an assessment of the Schengen area. Latvia also stressed the need to apply Commission proposals in this area to land borders in other regions (not only sea borders in the Mediterranean and the Atlantic Ocean).

Latvia also supports the necessity of developing technical systems, increasing the use of new technology in border control and surveillance, and keeping a balance between security and freedom of movement. But Latvia was reserved about establishing a new agency to govern the common information system of persons crossing EU borders, although it supported the establishment of the common information system.

Latvia's position is that of a Policy Taker on this issue.

## VII. Institutional issues

1. Overview
2. General issues:
  - 2.1. Representation of the country in the EU institutions: EC, European council, EP – a backgrounder
  - 2.2. Position of the country and the different stakeholders (including public opinion) towards the Lisbon Treaty and the framework of changes introduced by it
  - 2.3. Alternative proposals to the institutional development of the EU, rated by the relative influence of their proponents (e.g. multi-speed Europe, one-voice foreign policy, etc.)
3. Specific issues:
  - 3.1. Position towards the main changes offered by the Lisbon Treaty:
    - Extended qualified majority voting;
    - European Parliament's increased role;
    - President of the European Council;
    - High Representative for Foreign Policy;
    - Revision of the representation in the European Commission;
    - Charter of Fundamental Rights legally binding
  - 3.2. Implementation of institutional innovations:
    - President of the European Council: competences vis-à-vis the rotating presidency, job description, secretariat and its size etc.
    - EU High Representative: competences vis-à-vis the two presidents, relation to other commissioners with external relations portfolios, competences and relations vis-à-vis the rotating presidency
    - EU External Action Service: Implementation of the EU External Action Service:
  - 3.3. Future of Lisbon Treaty ratification

### 1. Overview

Latvia's interests in institutional issues are influenced by two factors. Firstly, the country is sensitive to moves that affect the equality of Member States. Secondly, being a small country Latvia has a strong interest in strengthening the EU's role in the world because it is a way for Latvia to increase its own influence.

Latvia's general policy towards the Lisbon Treaty can be defined as Policy Taker, with three exceptions, where Latvia can be defined as Policy Driver or potential Policy Driver:

1. The issue of one Commissioner per Member State, where Latvia strongly advocated for the delaying of the new rules until 2014. Latvia's position may become stronger if the setup of the Commission is once again discussed following the concerns of Irish voters.
2. Alternative proposals to the institutional development of the EU, where Latvia supports one-voice foreign policy of the EU as a strong necessity for EU's future development.
3. EU High Representative and stronger EU foreign policy, where Latvia is or can become a Policy Driver, because the government sees a strong interest of small countries like Latvia in strengthening the foreign policy of the EU as small countries have limited resources to be efficient in foreign policy on their own, and to be represented in all regions of the world, especially when it comes to consular protection of their citizens.

## Table of national positions

\*please, refer to the methodology disclaimer in the supplements

Issue	Definition and Outlook	National Consensus	EU mainstream
1. Top three priorities	Policy Taker, with the exceptions of (1) Commission setup, (2) Alternative proposals to the institutional development of the EU, (3) EU High Representative, and potential Policy Driver with regard to stronger EU foreign policy	Consensus, position not likely to change	Within the mainstream
2.1. Representation of the country in the EU institutions	n.a.	n.a.	n.a.
2.2. Position towards Lisbon Treaty	Policy Taker	Consensus, with the position not likely to change	Within the mainstream
2.3. Alternative proposals to the institutional development of the EU	Policy Driver; Policy Driver	Consensus, with the position not likely to change	
3.1. Increased role of EP	Policy Taker; Policy Taker	Consensus	Within the mainstream
3.2. President of European Council	Policy Taker; Policy Taker		
3.3. EU High Representative	Policy Driver; Policy Driver	Consensus	Within the mainstream
3.4. Representation in the Commission	Policy Driver; Policy Driver	Consensus	
3.5. Charter of Fundamental Rights	Policy Taker; Policy Taker	Consensus	Within the mainstream
4.1. President of European Council	Policy Taker; Policy Taker		
4.2. EU High Representative	Policy Taker; Policy Driver		
4.3. External Action Service	Policy Taker; Policy Driver		
4.4. Future of Treaty ratification	Policy Taker; Policy Taker	Consensus	

### 2.1. General issue: Representation of the country in the EU institutions

Currently, Latvia is represented in the EU institutions in the following way:

- Commission: Commissioner from Latvia Andris Piebalgs is responsible for energy. According to the Nice Treaty, the number of Commissioners should be smaller than the number of EU Member States when the Union includes 27 countries. This would mean the end of the "one Commissioner per Member State" principle as of the new Commission of fall 2009. The Lisbon Treaty, however, would secure that each country would still have one commissioner until 2014.
- Council: Under the rules of the Nice Treaty, Latvia has 4 votes (out of 345) in the Council. The Lisbon Treaty gives Latvia one extra voice for its population of 2.3 million people, which increases Latvia's relative influence in decision-making. Latvia's EU presidency is set to take place in 2015.
- European Parliament: Latvia has 9 seats (out of 785) in the European Parliament. Under the Nice Treaty, the number of parliamentarians should decrease to 8 in 2009. The Lisbon Treaty, however, leaves this number unchanged: when the total number of MEPs will reach 750 (in addition to the EP president who would have no voting rights), Latvia will still have 9 seats in the European Parliament.

In addition, Latvia's ex-president Vaira Vike-Freiberga has been appointed as the vice-president of EU's Reflection Group that has the mandate to analyse the EU's economic,

social models, competition, sustainable development, migration, energy, protection of the environment, fight against terrorism, as well as the EU's engagement with its citizens to help shape the EU's future and study its challenges for 2020-2030. The group is expected to give its conclusions at the EU summit in June 2010. This is a diplomatic victory of Latvia's efforts and will provide a channel to influence significant discussions on the future of the EU.

## 2.2. General issue: Position towards Lisbon Treaty

### **Definition: Policy Taker**

### **Outlook: Policy Taker**

All governments since Latvia regained its independence in 1991 have been pro-EU, with no political party taking the side of the Eurosceptics.<sup>62</sup> Thus, Latvia has supported the idea of adapting the current EU institutional setup to the enlarged EU, and providing the EU with tools to be more active in the international arena, and to increase EU's sustainable development and competition.

The Latvian Parliament, Saeima, ratified the Treaty Establishing the Constitution for Europe on 2 June 2005, with 71 (out of 100) parliamentarians voting in favour, 5 against and 6 abstention. The opposition left-wing party Latvian Socialist Party (LSP) voted against the ratification, while another opposition left-wing party For Human Rights in a United Latvia (PCTVL) abstained from voting, requesting that the ratification take place with a referendum, not via a vote in the parliament.

The Lisbon Treaty was ratified on 8 May 2008, with 70 parliamentarians voting in favour, 3 against,<sup>63</sup> and one abstention. The opposition left-wing party For Human Rights in a United Latvia (PCTVL) demonstratively did not participate in the vote.

The current government supports the ratification of Lisbon Treaty because it sees it as an effective means to take decisions in the EU in the interests of EU citizens, as well as creating instruments for the EU to face the current global challenges such as energy security, international terrorism, migration, climate change, poverty reduction and international conflicts.

Contrary to the prevailing EU-enthusiasm among the political elites, the public opinion on Latvia's EU accession has been more sceptical.<sup>64</sup> The only available public opinion poll on the Lisbon Treaty is the Eurobarometer on the attitude of EU citizens towards the Treaty Establishing the Constitution for Europe published in 2005. It revealed that 41% of respondents in Latvia supported the Treaty, while 16% were against it, and 43% didn't have any opinion or were not sure. Among the reasons for respondents' disapproval of the Treaty, Latvians agreed to the statement that there is nothing positive in that text, or that they do not have sufficient information about the Treaty. That was the explanation given by 40% and 31%, respectively, of respondents who did not support the Treaty. Latvians did not often mention loss of sovereignty and general opposition to EU integration as reasons for being against the Treaty.<sup>65</sup> Latvians who supported the Treaty mentioned the need for facilitating European unification, the need

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<sup>62</sup> A Eurosceptic party *Eiroskeptiķi* was formed before the parliamentary elections of 2006, but it received only 0.37% of votes, and during elections of the European Parliament in 2004 it received 0.95% of votes.

<sup>63</sup> While 3 votes were cast against the ratification, one of the parliamentarians voting against was Jānis Šmits from the coalition party LPP/LC, who spoke in favour of the Lisbon Treaty during the parliamentary debates, inviting parliamentarians to vote in favour. Šmits' "no" vote was a technical mistake.

<sup>64</sup> When Latvians had to vote on the country's EU membership in September 2003, 66.97% of voters supported Latvia's EU accession and 32.25% were against. Only Estonians and Maltese disapproved of their country's EU membership more. After the EU accession Latvia continued on the path of being one of the most sceptical EU Member States. According to the latest polls of November 2008 from the public opinion research center SKDS, 25% of Latvians supported the country's EU membership while 24% were against it. The remaining part of the population (48%) supported the statement that Latvia's EU membership was "neither a good nor a bad thing". In comparison with other EU Member States, Latvia continues to be one of the most sceptical: Eurobarometer data from 2008 show that 29% of Latvia's inhabitants regard the EU as positive, just as in the United Kingdom; only Austria has a lower indicator (28%).

<sup>65</sup> Only 12% and 13% of respondents expressed such an opinion. Source: *Eurobarometer Special 214, The Future Constitutional Treaty*. (2005).

for European institutional reforms, as well as the need to determine EU's activity in the context of enlargement.<sup>66</sup>

Among Eurosceptic organisations, the political party *Eiroskeptiķi* (Eurosceptics<sup>67</sup>) has not been active in public events regarding the Treaty of Lisbon, and their counter-arguments regarding the Treaty have not been widely reflected in the mass media. However, in their 2005 letter to the Saeima sent on the eve of the ratification of the Treaty Establishing the Constitution for Europe, the organisation states: "this Constitution is not needed, it is not requested by the people; the Constitution is the invention of European bureaucrats". Although the Treaty increases the role of national parliaments in the EU legislative process by allowing them to make subsidiarity checks regarding all legislative proposals, Eurosceptics in their letter to the Saeima say: "the new Constitution for Europe takes away power from national parliaments and gives it to EU institutions". Other arguments such as "the new Constitution for Europe makes Member States centralised and Brussels-ruled provinces of the federation" also do not demonstrate in-depth consideration of the problems related to the Treaty of Lisbon. Instead of being pleased to have the first formalised procedure in EU's history on the possibility of states to withdraw from the EU, Eurosceptics claim that the "the new Constitution for Europe complicates and hinders withdrawal from the EU and makes it a lengthy, bureaucratic and very expensive procedure". Thus it is doubtful whether this organisation would be able to provide well-grounded reasons for voting against the Treaty, and would be able to influence public opinion on this issue.

Another stakeholder is political party *Jaunie Demokrāti*<sup>68</sup> (New Democrats), who requested the Latvian Constitutional Court to take up a case reviewing whether the Lisbon Treaty infringes on Latvian sovereignty. Jaunie Demokrāti initiated the case, insisting that Lisbon Treaty should be adopted only by a popular vote. The court decision is pending.

Latvia's general policy towards Lisbon Treaty can be defined as Policy Taker because of the pro-EU stance of the majority of political parties and stakeholders, with Eurosceptic stakeholders not influential enough to come to power and shift Latvia's policy.

### **2.3. General issue: Alternative proposals to the institutional development of the EU**

#### **Definition: Policy Driver**

#### **Outlook: Policy Driver for one-voice foreign policy, Policy Killer for multi-speed Europe**

Latvia supports a one-voice EU foreign policy as a strong necessity for the EU's future development. According to the government position, the EU's position in Russian-Georgian conflict of August 2008 would have been more united and effective with the tools provided by the Lisbon Treaty. The government sees a strong interest of small countries like Latvia in strengthening the foreign policy of the EU because small countries have limited resources to be efficient in foreign policy on their own, and to be represented in all regions of the world, especially when it comes to consular protection of their citizens.

This definitely is Latvia's preference between the two alternatives: EU with one-voice foreign policy, or multi-speed Europe. The latter would most likely leave Latvia on the slower-speed level because, for example, Latvia is unlikely to adopt the Euro before 2013. Latvia has always stressed the significance of the equality of Member States and its objection to the EU becoming a federation. One of the current coalition parties, For Fatherland and Freedom/ LNNK (TB/LNNK), thinks the EU should develop as a union of nations where decisions are taken by national governments instead of EU institutions. Thus, according to TB/LNNK, Latvia should "fight against the federalisation of the EU" and support the equality of all Member States. It is clear that Latvia is against the fragmentation of Member States or the creation of multi-speed Europe.

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<sup>66</sup> 22% of those respondents in Latvia who supported the Treaty Establishing the Constitution for Europe claimed that the Treaty is needed for facilitating European unity, 10% mentioned functions of EU institutions, and 11% highlighted the significance of EU enlargement. Source: *Eurobarometer Special 214. The Future Constitutional Treaty (2005)*.

<sup>67</sup> In the parliamentary elections of 2006 it received only 0.37% of votes; in the European Parliament elections of 2004 it received 0.95% votes. Neither of the results were sufficient to gain representation in the assemblies.

<sup>68</sup> The party is not represented in the Parliament.

One of the left-wing parties, For Human Rights in a United Latvia (PCTVL), has a different vision of the EU's future. It is in favour of the federalisation of the EU, considering that currently the Union is in a "necessary transition" to a more closely integrated and fairer community of European peoples surrounded by a fortress that would "secure Europe from vulgarisation". PTCVL thinks that the EU should have mechanisms for the direct representation of ethnic minorities and regions in the EU institutions because "by definition national structures are not capable of defending the interests of ethnic minorities" (keeping their language and culture). PCTVL sees a united Europe as the only chance to win in the competition against America and East Asia. The party welcomed the Lisbon Treaty because it believes the Treaty does bring the EU closer to being a federation.

The position of the Eurosceptic party *Eiroskeptiķi* is more in line with the current governmental position, i.e. against the federalisation of the EU and in support of the equality of Member States.

Latvia can be defined as a Policy Driver if the EU's development continues in the direction of a strong one-voice foreign policy. However, should the discussions in the EU start to allow a serious possibility for the creation of a multi-speed EU, Latvia could be defined as Policy Killer.

### **3.1. Specific issue: Extended QMV**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia's position does not differ from the content of the Lisbon Treaty. Latvia supports the extension of qualified majority voting to new areas because it believes that it will enable a more united EU position and, as a result, lead to more effective EU policies in these areas. In the intergovernmental conference on Constitutional Treaty Latvia insisted, however, that opening up any new area for QMV had to be carefully analysed. Latvia supports the vetoes in foreign policy, defence policy and justice and home affairs, as well as on social policy and tax policy.

On this issue Latvia can be defined as Policy Taker.

### **3.2. Specific issue: Increased role of the European Parliament**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia supports the increased role of the European Parliament, especially the extension of co-decision procedure to new areas of EU policy, as this increases transparency and the democratic nature of decision making. Latvia also insisted that the smallest EU Member States receive no fewer than 5 seats in the assembly.

Latvia can be defined as a Policy Taker on this issue.

### **3.3. Specific issue: President of the European Council**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Initially, Latvia was sceptical about the creation of the President of the European Council. This position was based on two assumptions. Firstly, it was believed that the creation of this post would change the institutional balance. Secondly, it would cumber the equality of Member States. As a small Member State, Latvia believed that this development is contrary to the interests of small countries as it would be unlikely that the President of the European Council would come from a small country. Latvia also agreed that the creation of this post would give the impression that the EU is moving closer to a federation. However, Latvia later agreed to compromise, seeing the need for creating this post to increase the efficiency and continuity of the European Council.

Latvia can be defined as Policy Taker on this issue.

### **3.4. Specific issue: High Representative for Foreign Policy**

**Definition: Policy Driver**

**Outlook: Policy Driver**

As already mentioned earlier, Latvia supports one-voice EU foreign policy as a strong necessity for the EU's future development. The government sees a strong interest of small countries like Latvia in strengthening the foreign policy of the EU because small countries have limited resources to be efficient in foreign policy on their own, and to be represented in all regions of the world, especially when it comes to consular protection of their citizens.

As a result, Latvia strongly supported the creation of the High Representative for Foreign Policy, as well as the creation of the EU's External Action Service. Latvia believes that it would help smaller EU countries (like Latvia) with limited administrative and financial capacity to be more present in the world, as well as enabling a more effective action and coordination of EU's foreign policy.

Latvia was not concerned with the change envisaged in the Lisbon Treaty that the High Representative for Foreign Policy would also take over the chairing of the EU's External Affairs Council because it would improve the consistency and continuity of EU policy in this area.

Latvia can be defined as Policy Driver because of its strong interest in a more united EU foreign policy.

### **3.5. Specific issue: Revision of the representation in the European Commission**

#### ***Definition: Policy Driver***

#### ***Outlook: Policy Driver***

Keeping one Commissioner per Member State was a very strong priority of the Latvian government as it was one of the four demands of the Latvian position in the intergovernmental conference on the Constitutional Treaty.<sup>69</sup> Latvia believes that keeping one Commissioner per Member State helps to sustain the legitimacy of the Commission because, although Commissioners do not represent the interests of their countries, Member States still see them as "their" Commissioners, guaranteeing that the interests of all Member States are taken into account in the Commission's decisions. As a result, Latvia was one of the Member States strongly insisting that the principle of one Commissioner per Member State would be maintained until 2014. This principle has been included in the Constitutional Treaty, and later also in the Lisbon Treaty.

Latvia agreed to this compromise (deadline of 2014 for the introduction of the rotation in the Commission) because it was linked to country representation in the European Parliament. The minimum number of seats in the European Parliament was increased from 5 to 6, also increasing Latvia's representation in the assembly (from 8 to 9).

However, with the Irish voters being concerned about the loss of "their" Commissioner, the issue of one Commissioner per Member State once again becomes topical. Latvia is likely to support equal representation of Member States in the Commission, should this clause of the Treaty be changed under the pressure from Irish voters.

Latvia can be defined as a Policy Driver on this issue, with its position strengthened if the setup of the Commission is once again discussed following the concerns of Irish voters.

### **3.3. Specific issue: Charter of Human Rights legally binding**

#### ***Definition: Policy Taker***

#### ***Outlook: Policy Taker***

Latvia supported that the Charter of Human Rights becomes legally binding because until now no EU treaty included human rights and fundamental rights norms *per se*. Analyzing the situation of Latvia, the government came to the conclusion that the Charter at large does not contradict the legal system of Latvia. Another important argument was the fact that making the Charter legally binding does not lead to increased competencies for the EU.

Latvia can be defined as a Policy Taker on this issue.

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<sup>69</sup> "Latvia's position in the IGC", Riga, 30 September 2003, as published on the website of the Latvian Foreign Affairs Ministry [www.mfa.gov.lv](http://www.mfa.gov.lv)

#### **4.1. Implementation of institutional innovations: President of the European Council**

**Definition: Policy Taker**

**Outlook: Policy Taker**

On this issue Latvia seems to have no clear preferences, only insisting that it is significant to clarify the competences of the President of the European Council vis-à-vis the rotating presidency and the High Representative for Foreign Policy.

Latvia can be defined as a Policy Taker.

#### **4.2. Implementation of institutional innovations: EU High representative**

**Definition: Policy Taker**

**Outlook: Policy Driver**

Latvia supports one-voice foreign policy of the EU, and supported the creation of the High Representative for Foreign Policy, as well as the creation of EU's External Action Service. However, Latvia seems to have no clear preferences on how to implement the creation of the High Representative. Until now Latvia has only insisted on the significance of clarifying competences of the High Representative for Foreign Policy vis-à-vis the Commission President, the President of the European Council, relations to other commissioners with external relations portfolios, and competences and relations vis-à-vis the rotating presidency. Another question concerned the mandate for the EU's High Representative for Foreign Policy to have the capacity to effectively react to international events — crises, conflicts, natural disasters, etc.

Latvia can be defined as a Policy Taker, with the potential of becoming Policy Driver because of Latvia's strong interest in a more effective and united EU foreign policy.

#### **4.3. Implementation of institutional innovations: EU External Action Service**

**Definition: Policy Taker**

**Outlook: Policy Driver**

As the EU's external policy is one strong interest for Latvia, the country has a strong interest in being represented in the EU's External Action Service. Latvia has limited administrative and financial capacities, which makes the country more motivated to use this new tool wisely. However, the country seems to have no clear proposals on the proportion of EU and national diplomats and the funding of their activities — whether this should be covered by EU or national budgets.

Latvia can be defined as a Policy Taker, with the potential of becoming Policy Driver because of Latvia's strong interest in a more effective and united EU foreign policy.

#### **4.4. Implementation of institutional innovations: Future of Lisbon Treaty ratification**

**Definition: Policy Taker**

**Outlook: Policy Taker**

Latvia's position on the future of Lisbon Treaty ratification is to continue the ratification process while respecting the Irish vote. In other words, the reasons for the Irish vote need to be carefully analysed and addressed respectively. This implies that it is possible to gain Irish support through a repeated referendum on the Treaty, if it includes several derogations addressing the concerns of the Irish voters. This position is the mainstream position in the EU, as was shown by the agreement made at the 19-20 June 2008 EU summit regarding continuation of the ratification of the Treaty of Lisbon.

On this issue Latvia can be defined as a Policy Taker.

**About the author**

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## Supplements

### Methodology notes

The research has been carried out by individual researchers in each of the ten new members on the basis of specially designed methodology, developed by EUROPEUM and major input from EuPI/OSI-Sofia. The seven policy areas under research are: I. Internal market/Lisbon Strategy; II. Minority integration and citizenship issues; III. Energy and climate change; IV. Budget review and CAP Health Check; V. EU foreign policy and enlargement; VI. Freedom, Security and Justice; VII. Institutional issues.

The research was carried out primarily in the period September 2008 – December 2009, but there may be references beyond this period. Some positions and circumstances described in the reports may have changed since the information was last made available to the researchers or reached the stage of publication.

The researchers' findings are published in ten country reports on each of the New Member States: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

The structure of the country reports includes an overview of the country's performance as an EU member and seven chapters following the seven broad policy areas. Each chapter contains an overview of the position of this country in the area, including the top three national priorities. Then the chapters provide in-depth analyses, information and prognoses on a set of issues (defined as general and specific) within each of the seven policy areas.

The views expressed in the reports are those of the authors and do not necessarily reflect the views of the Open Society Institute – Sofia.

### Classifications: Policy Taker, Killer, and Driver explained

In the classification of this study, Policy Takers are those states that usually follow the mainstream in the EU and in general accept whatever is offered from the EU. The reasons may vary — from the lack of stakes and interests in the issue, to the lack of capacity to formulate a meaningful position, or they may have a position but lack the weight and experience to promote it.

The Policy Driver is a country that assertively promotes an issue at EU level. Ideally, a Policy Driver would have a broad political consensus and public support at home, capacity and expertise to advocate successfully, and carry the weight to gather coalitions and promote the policy. This may also imply additional legitimacy, measured also by the added value of this policy to the "European project" or adherence to the "European values" or "common European interest".

A Policy Killer is exactly the same as a Policy Driver, but with an opposite sign. In many cases, a Policy Killer country becomes a Driver if it succeeds in proposing a feasible and viable alternative to the policy it tried to prevent.

While all members are at some point "Policy Drivers" or "Killers", the crown of a "super Policy Driver" and "super Policy Killer" goes undoubtedly to Poland. Poland, the biggest of the new members, with enough self-confidence, has led an effective opposition to the Constitutional Treaty, the Lisbon Treaty, and to the energy and climate package.

### Tables of national positions: Explaining the exercise and words of caution

In the course of the current study, the country researchers were asked to classify the position and policy behaviour of the country as Policy Taker, Policy Driver or Policy Killer on the respective issues. The judgments had to be based on the level and character of activity, interest and involvement of the country in the given policy area. The researchers were also asked to provide a forecast for the short and medium-term positions and behaviour of the country, based on diverse factors triggering change — domestic political change, rise of powerful stakeholders able to promote or kill a policy, a window of opportunity to intervene, reversal of policy at EU level that causes negative reaction, etc.

The attempt at classification and forecasting (laid out in detail in the tables in each section) should be used with caution, as the positions and factors at play are nuanced,

multifaceted and complex: simplified tick-boxes of classification, presented in the tables, can never be too accurate. Therefore, they are more for orientation purposes and the provided substantive reports should be consulted for a more detailed analytical description, as the authors themselves often point to several possible explanations and scenarios for future development. Nevertheless, this is a valuable set of information, based on very good expert knowledge and judgment.

<b>Country abbreviations</b>	
EU27 European Union - 27 Member States	
BE	Belgium
CZ	Czech Republic
BG	Bulgaria
DK	Denmark
<i>D-E</i>	<i>East Germany</i>
DE	Germany
<i>D-W</i>	<i>West Germany</i>
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Republic of Cyprus *
CY (tcc)	Zone not controlled by the government of the Republic of Cyprus
LT	Lithuania
LV	Latvia
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
HR	Croatia
TR	Turkey
MK	Republic of Macedonia

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### **About EuPI**

The European Policy Initiative (EuPI) of the Open Society Institute – Sofia aims at stimulating and assisting the New Member States from CEE to develop capacity for constructive co-authorship of common European policies at both government and civil society level. As a new priority area of the European Policies and Civic Participation Program of Open Society Institute – Sofia, EuPI will contribute to improving the capacity of New Member States to effectively impact common European policies through quality research, policy recommendations, networking and advocacy. The initiative operates in the ten New Member States from CEE through a network of experts and policy institutes.

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### **About EUROPEUM**

EUROPEUM Institute for European Policy is a non-profit, non-partisan and independent institute. It focuses on the issues of European integration and its impact on the transformation of political, economic and legal milieu in the Czech Republic. EUROPEUM strives to contribute to a long-lasting development of democracy, security, stability, freedom and solidarity across Europe. EUROPEUM formulates opinions and offers alternatives to internal reforms in the Czech Republic with a view of ensuring her full-fledged membership and respected position in the European Union.

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