

Latvia: Extreme political turbulence

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The current state of Latvia's political scene is, to put it mildly, volatile. There are only two constant variables: 1) the deepening economic crisis and 2) two elections (municipal and European Parliament) scheduled for 6 June 2009. Among the unknown variables is, first of all, the stability of the government for the next few months, with alternative possibilities ranging from the survival of an unchanged cabinet, the establishment of a new rainbow coalition or a technocratic government composed by non-partisan individuals. Most importantly, however, is the looming possibility of extraordinary parliamentary elections, which would be unprecedented in Latvia's recent history.¹ Why the instability and how did it lead to the recent riots?

Crash landing of 'full throttle!' policy

Latest opinion polls show that only 10% of Latvia's citizens trust the national Parliament (Saeima). Even though the crisis of legitimacy preceded the current economic crash, it was exacerbated by economic disillusionment. After all, since the beginning of the 21st century Latvia's economy had expanded at an average growth rate of over 9% a year, which was the fastest in the EU. The income per capita also rose steeply, and people began to take substantial annual pay hikes for granted. Some doubts were voiced about the fundamentals of this economic expansion – such as its dependence on the 'real estate bubble, the temporary willingness of foreign-owned banks to grant loans to fuel the economy and the increasing gross external debt, which exceeded 130% of GDP. But the critics were hushed by the government's assurance that the 'full throttle!' economic policy was in the best interests of the Latvian people who want to close the gap between the Latvian and average EU income levels.² When the flow of global capital stopped, Latvia's overheated economy was left especially vulnerable.

In order to make ends meet, the government looked for outside financial assistance. To date, a wide variety of organisations and countries – the IMF, the European Commission, the World Bank, the EBRD, the Nordic countries, the Czech Republic, Poland and Estonia – have made loan commitments that would amount to €7.5 billion during the next three years. For its part, the Latvian government undertook to maintain the exchange rate pegged to the euro, to cut fiscal spending (especially by reducing public sector wages) and to increase the VAT and excise tax (on tobacco, alcohol and gasoline).

It was certain from the outset that these measures would prove to be very unpopular. Yet in December 2008, the government managed to push them through Saeima with virtually no

¹ See the annex for some basic background information about Latvia's political system.

² In 2008, the country's GDP per capita represented 53% of the EU average (see Eurostat for details – <http://ec.europa.eu/eurostat/>).

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discussion (on the day prior to the vote, the Chairman of the Budget Committee admitted to not having received all the documents).

The riots of 13 January 2009

On 13 January 2009, the unexpected happened. For the first time in Latvia's post-independence history, there were mass riots in front of the parliament building.³ The riots broke out suddenly following a peaceful demonstration nearby organised by opposition parties and various NGOs in which more than 10,000 people took part. After the demonstration, several hundred protesters moved to the square in front of the Parliament chanting "dismiss the Saeima!". Soon enough some rocks were thrown in the direction of the building and the immediate results of the riots were some 50 people injured, 106 arrested and the windows on the first two floors were smashed. The investigation is still going on whether the riots were orchestrated or emerged spontaneously.⁴

The political consequences of the riots were very significant. The following day President Valdis Zatlers threatened to initiate the procedure to dismiss the Saeima,⁵ unless it complied with several demands aimed to restore public confidence by 31 March 2009. The most important part of this 'ultimatum' was the demand to amend Latvia's constitution to empower people to call for extraordinary parliamentary elections by collecting a specified number of voter signatures⁶ (hence, without the president's intermediation). This demand had been on the political agenda since 2007, when people in large numbers took to the streets of Riga for the first time to protest against the arrogance of the governing coalition and its sabotage of anti-corruption activities. Since then the opportunity to trigger the extraordinary elections has been seen as a powerful tool to increase Parliament's accountability in-between the usual election cycles. This idea was put to a referendum in August 2008, but the results were ruled as non-binding due to an insufficient turnout.⁷ Never mind the fact that 40% of all Latvian citizens had voted in favour of the proposed amendment to the Constitution, while approximately 2% voted against.

After the riots

Since the riots of 13 January, it is still not clear whether the Parliament complies with the President's 'ultimatum'. The governing political parties do not seem to be interested in holding extraordinary elections as recent polls suggest that none of the ruling parties would enter into the new Saeima!⁸

³ See videos on YouTube (<http://www.youtube.com/watch?v=0NcBu9-PhVg> and <http://www.youtube.com/watch?v=FDU121LT5d8>).

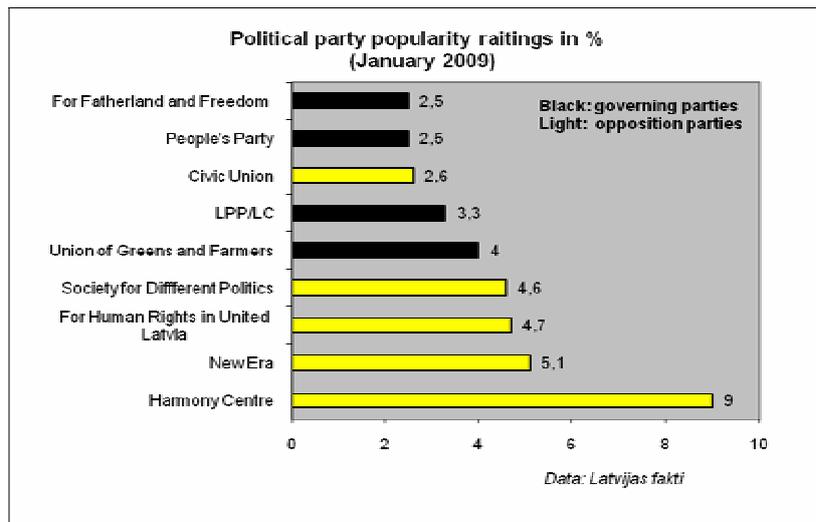
⁴ According to the security police information released on January 14th, the riots were not organised by extremist organisations but emerged spontaneously. Some 80% of those arrested had no previous judicial record. Among the rioters there were many unemployed, students and workers. In total several hundred protestors took part in violent activities.

⁵ According to Latvia's constitution, extraordinary parliamentary elections have to be initiated by the president and decided by the people in a referendum. If a majority of voters decides in favour of new elections, the parliament is dismissed. If a majority of voters decide against new elections, then the president is dismissed.

⁶ In order to initiate such a referendum, one would have to gather 10,000 initial signatures. After ascertaining that this threshold is met, the Central Electoral Commission would organise a sign-in campaign in which 1/10 of all eligible voters' signatures would have to be gathered in order to start a referendum on Saeima's dismissal.

⁷ In order to amend the constitution by referendum, more than 50% of ALL ELIGIBLE VOTERS in Latvia have to vote in favour of the amendments (757,468 voters). The turnout in this particular referendum was 42% (629,119 eligible voters) of whom 97% had voted in favour of the amendments.

⁸ A January 2009 opinion poll showed that none of the ruling coalition parties would meet the 5% electoral threshold if the elections were held tomorrow. The same poll revealed that 36.4% of the electorate are undecided and 17.8% say they would not participate in elections.



Some of the governing coalition parties – such as the People’s Party and Greens and Farmers’ Union – have already entered the pre-election mode and are undermining the government from the inside. For example, the People’s Party, which forms the largest faction in the current Saeima, announced on January 30th that the current government was incapacitated and that its prolonged existence was senseless. Even though the government withstood the first opposition-initiated no-confidence vote on February 4th (due to the emergence of no clear model of alternative governing coalition), its future does not look too bright. The People’s Party has ominously threatened to “take the initiative in its own hands” if Prime Minister Ivars Godmanis (representing the Christian conservative LPP/LC Party) does not take immediate steps to extend the governing coalition with at least some opposition parties. The People’s Party is obviously interested in such an enlargement of the coalition: as the party most blamed for the current state of Latvia’s economy, it would prefer to dilute the responsibility for unpopular measures with as many parties as possible.⁹ This puts the prime minister in a very difficult situation – he has already pronounced a new government to be a non-solution for the current crisis, arguing that such a step would not ease the tensions. Expansion of the governing coalition is hard to implement also due to the forthcoming reorganisation of the government’s structure necessitated by spending cuts. The number of ministries is set to be decreased from 17 to 10.

So it looks that the government in its current form is doomed and most likely will fall before the June 6th elections. It is still too early to tell what will take its place. Among the distinct possibilities under discussion is a rainbow-type ‘reconciliation coalition’ (representing up to 95% of the votes in the Parliament) led by a non-partisan prime minister who is yet to be found.

Meanwhile, the economic situation does not seem to have stabilised. Some painful and unpopular decisions are still to be made – such as additional budget cuts due to the slowdown of economy being faster than previously estimated. Unemployment figures¹⁰ are rising and so are the demands of various vulnerable groups (such as farmers, mortgage holders, exporters, policemen, teachers, patients, etc.). Moreover, the government’s legitimacy problems are aggravated by unprecedented public sensitivity to the perceived or actual incompetence of some of the ministers. For instance, in an interview with Bloomberg Television, finance minister Atis Slakteris described the current troubles of Latvia’s economy as “nothing special”. It is no surprise that “nothing special” and some

⁹ The public at large perceives Latvia’s economic troubles stemming from the irresponsible government actions that allowed the economy to overheat in 2004-07. The prime minister at the time was the People’s Party representative Aigars Kalvītis, who became very unpopular during his stay in the office. He has become the symbol of current misfortunes that sharply contradict his unfortunate allegorical reference in his 2006 New Year’s Eve speech about the forthcoming “seven fat years”.

¹⁰ According to 19 January 2009 data, the official unemployment level has risen to 7.6% in January 2009. It was 4.9% in March 2008 and 5.6% in September 2008.

other awkward statements from the by-now infamous interview became a YouTube hit¹¹, inspired TV and internet parodies¹², as well as a song¹³, a line of t-shirts and innumerable posters on display during the January 13th demonstrations. It also received the “political fiasco of the year” nomination by popular Internet portal www.apollo.lv.

Historical perspective

Regardless of whether extraordinary parliamentary elections are held this year, 2009 will in any case be an extraordinary year for Latvia. If extraordinary parliamentary elections take place, that would mean three elections during one year (possibly even on the same day), which could totally change the political landscape.

If a rainbow coalition is to be formed (as a substitute for new elections), then it is very likely to include the Harmony Centre Party alliance, which primarily represents the Russian-speaking voters. That would signify a truly seismic change for Latvia’s politics, as since the beginning of the 1990s there has been a de facto political segregation between parties primarily representing Latvian-speaking and Russian-speaking voters. Due to the political stigma attached to ‘Russian parties’, large ‘Latvian’ political parties face weaker demands for political accountability than one would normally expect, as they are mathematically almost guaranteed a place in the governing coalition.¹⁴ The only current coalition party that in principle objects to Harmony Centre being part of the government is the nationalistic TB/LNNK.

On a more positive note, however, it seems that Latvia is witnessing a true surge of civic activism. Large protest demonstrations were unimaginable as recently as 2006 (the sole exception being the protests against the gradual increase in the number of classes conducted in the Latvian language in Russian high schools) – civic society was pronounced apathetic and dormant. But now the possibility of protests exerts a tremendous pressure on elected politicians. The principal achievement, however, is the growth in the number of mobilising Internet communities where various social networks, activists’ blogs and other means are used for discussing politics, collecting signatures for petitions and planning collective actions.¹⁵ It is those vibrant communities that give a little hope that there is ‘life after the crisis.’

¹¹ The interview can be viewed on YouTube (<http://www.youtube.com/watch?v=mhyJW65h-BU> (Part I) and <http://www.youtube.com/watch?v=wH92DT0TLxQ> (Part II).

¹² See for example <http://www.youtube.com/watch?v=U2o04ojkTV8> and <http://www.youtube.com/watch?v=xHcNwg81N2k>

¹³ See http://www.platformamusic.lv/shop/album.php?album_id=316127

¹⁴ There are 100 parliamentarians in Latvia’s parliament. Usually some 23-25 of them are elected from so-called ‘Russian’ political party lists. Since the beginning of the 1990s, those MPs have never been part of any governing coalition. That means that if there is a ‘Latvian’ political party that has obtained about 25 seats in elections, then its place in the government is almost guaranteed because it faces no political competition.

¹⁵ One of the most innovative civic initiatives has been the so-called ‘penguins’ group, which unites several hundred activists who discuss politics on the pingvini.lv website and organise non-violent collective protest activities. For example, one of the activities included giving symbolic mock presents to members of parliament and government, such as an English grammar books to the finance minister. The symbolism of the penguin representing Latvia’s new political activism was reinforced by a rather unfortunate remark by Prime Minister Ivars Godmanis this past New Year’s Eve, when it is traditional for Latvian politicians to make colourful political pronouncements. Shortly before midnight, in an address to the people of Latvia about the ongoing economic crisis, he proposed to deal with the problem the way penguins in Antarctica do when there is a snow storm, namely by huddling together. This allegory has been widely satirised by the media and the public in general.

Annex

Background Information on Latvia's Political System

Parliament

- Latvia is a parliamentary republic. A unicameral parliament (Saeima) is elected for a 4-year term by proportional representation, with seats allocated to political parties or political party alliances that gain at least 5% of the vote.
- Since the restoration of independence in 1991, there have been 5 parliamentary elections in which on average 7-8 parties have obtained representation.
- Next parliamentary elections are scheduled for October 2010.

President

- The Saeima elects the president of Latvia for a 4-year term. The constitution of Latvia allows the president to propose the dissolution of the Saeima. Following this proposal, a national referendum is to be held. If in the referendum more than half of the votes are cast in favour of dissolution, the Saeima is dissolved and new elections are called. If more than half of the votes are cast against the dissolution of the Saeima, then the President is removed from office. No Latvian president has ever attempted to propose the dissolution of Saeima.

Cabinet of Ministers

- The president invites a person (usually previously chosen by those political parties that form the majority in parliament) to be the prime minister, who then chooses cabinet ministers. They are normally representatives of the coalition parties, with each party obtaining minister's seats proportional to party's influence in the coalition. The cabinet is subject to a confidence vote in the Saeima.
- The average life of governments in Latvia is a little over one year. Since 1999 there have been eight changes in government.

Direct democracy

- The constitution of Latvia allows one-tenth of the electorate to submit draft laws. If the Saeima does not adopt them without change as to its content, they are submitted to national referendum. In 2008, there were two such initiatives and referenda.
- The President has the right to suspend the proclamation of a law. The law thus suspended is put to a national referendum if so requested by no less than one-tenth of the electorate. In 2007 the former president Vaira Vīķe-Freiberga exercised this right and a referendum was held.