

ELECTION BRIEFING No 60 EUROPE AND THE 2010 PARLIAMENTARY ELECTION IN LATVIA

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Key Points:

- The September 2010 election returned the serving centre-right coalition government of Prime Minister Valdis Dombrovskis with an increased majority.
- The election was framed by the harsh economic recession of 2008-2010 and continuing ethnic tensions. European issues were of no relevance.
- Five political party alliances were elected to parliament. The Unity Union, the National Alliance, and For a Good Latvia (which together won 49 of the 100 seats) looked particularly likely to fragment over the four year term of parliament.
- After dithering over his choice of coalition partners, Mr Dombrovskis formed a Unity Union and Green-Farmers Union government. Internal opposition led him to reject co-operation with both the pro-Russian Harmony Centre and the populist National Alliance.

Background

Accession to the EU and NATO in 2004 was widely viewed as a key turning point in Latvian history. It was presented as a virtual guarantee of future prosperity, national security and development. Indeed, the years immediately following accession brought double-digit economic growth and a confident optimism that appeared to signal an end to the uncertain economic and political transition of the 1990s and early 2000s. This was seemingly confirmed by the results of the 2006 parliamentary election, which saw Latvian voters return a serving Prime Minister and his government coalition with an increased majority for the first time. However, the election four years later was framed by an un-expected period of economic, social and political strife not experienced since the collapse of the Soviet regime in 1991. The economic growth of the mid-2000s had been based on reckless bank lending and equally irresponsible consumer spending, and had led to unsustainable salary increases, an enormous current account deficit and double-digit inflation. As the credit crunch spread to Europe in 2008, Latvia's biggest domestically owned bank had to be bailed out. The government then turned to the IMF and European Commission for an emergency loan that amounted to 35% of annual GDP. Over the next two years Latvia experienced the deepest

recession in the world, with GDP falling 4.6% 2008 and an extraordinary 18% in 2009.¹ Successive austerity budgets and a controversial internal devaluation policy radically cut government expenditure and led to shrinking salaries and job cuts in both the private and public sectors. At the time of the October 2010 election, unemployment was finally dipping below 20% (although it was still the highest in the EU). Public trust in political parties and other political institutions fell to the level lowest in the EU. Tens of thousands of Latvians emigrated to the UK and Ireland.

This extraordinary state of affairs was largely caused by a mishandling of both the economic and political situation after the 2006 election. Prime Minister Aigars Kalvītis (Peoples Party) had interpreted his re-election as a signal for an era of unrestrained majoritarian politics. His government ignored multiple warnings of dire economic overheating and aggressively pursued an expansive economic policy that fuelled rather than tempered economic exuberance. At the same time, Mr Kalvītis attempted to push through radical changes in the control and oversight of Latvia's security services. Rather than go through the legislature, where the move would have faced scrutiny and opposition, the government utilized Article 81 of the constitution, which allowed the cabinet to pass laws deemed of immediate importance while the parliament was not sitting. However, the then President Vaira Vīķe-Freiberga refused to sign off on these laws and triggered a popular initiative process that eventually led to a referendum. Mr Kalvītis also fired the respected Director of the Anti-Corruption Bureau and repeatedly confronted the equally admired Chief Prosecutor. Faced with a barrage of criticism that culminated in the "umbrella revolution" (a mass rally held in the heart of Riga during a snowstorm), Mr Kalvītis backtracked, first reversing the amendments to the security laws and then even passing a constitutional amendment cancelling article 81. However, the government failed to recover its lost political capital and stepped down in December 2007.

A new government was formed by Ivars Godmanis (Latvia's First Party/Latvia's Way), an experienced politician who had overseen Latvia's path to independence as Prime Minister from 1990-1993. Within a year the Mr Godmanis government faced a number of severe economic challenges as Parex, Latvia's largest domestically owned bank, had to be saved from bankruptcy by an eleventh hour government takeover. Second, the global capital crunch led to the bursting of Latvia's property bubble. As economic activity screeched to halt, the government was forced to turn to the IMF and EU for an emergency loan of 7.5 billion euro. Then, in January 2009, a mid-week anti-government protest morphed into a riot, the first since independence was restored in 1991. Parliament and the Ministry of Finance were attacked, shops looted and the security forces assaulted. Faced by an angry public, collapsing GDP and with the prospect of severe further cuts in public spending, the Godmanis government had lost all credibility and was forced to resign.

Valdis Dombrovskis (New Era), an MEP, hobbled together a new government coalition. A former Finance Minister who had also worked as an official at the Central Bank, the unassuming Mr Dombrovskis offered the kind of political-technocratic competence that Latvia had lacked for many years. Indeed, despite tax rises and harsh cuts in government expenditure (with a fiscal adjustment of 8.5% of GDP in 2009 and 4% in 2010) Mr Dombrovskis consistently maintained high personal approval ratings over the two years running up to the election.

¹ For an explanation of the roots of the crisis and the internal devaluation policy that the Latvian government pursued, see: Catriona Burfield and Christoph B. Rosenberg, 'Adjustment under a Currency Peg: Estonia, Latvia and Lithuania during the Global Financial Crisis 2008-09', *IMF Working Paper WP/10/213*, 2010.

The Contenders

In light of this period of severe economic crisis and public disillusionment, it is unsurprising that the Latvian political party landscape underwent a significant realignment in the run-up to the election. Seven parties and six electoral alliances competed in the election, far less than the 19-23 candidate lists that competed in the previous five post-1991 parliamentary elections. This decline in the number of competing lists was the result of a series of party alliances struck in the run-up to the election. Indeed, five of the “big six” contenders that harboured serious electoral ambitions were actually alliances. The Latvian party system is structured along ethnic rather than ideological lines. Indeed, the final distribution of votes is always approximately proportionate to the percentage of ethnic Latvian and Russian citizens. Thus the contenders can be grouped into Latvian and Russian categories. Four of the major competitors fell into the ethnic Latvian category (and three of these made up the government coalition at the time of the election), while two were pro-Russian.

Three centrist Latvian parties - New Era, Society for a Different Politics, and Civic Union = pooled their resources and created the Unity Union. They were joined by the high profile liberal founders of the Meierovics Society (named after Latvia’s first Foreign Minister), who joined Civic Union in order to stand as Unity candidates in the election. Unity’s leadership had also considered enlarging the alliance to include two more stridently nationalist parties: For Fatherland and Freedom/Latvian National Independence Movement and All for Latvia. However, this was vetoed by Society for a Different Politics, the most liberal party in the alliance.

Having been rejected by Unity, the two Latvian nationalist parties formed the National Alliance. While both parties shared a stridently nationalist rhetoric, they were also very different. For Fatherland and Freedom/Latvian National Independence Movement was a union of the two oldest nationalist parties in Latvia. It had been in parliament since the first post-communist elections in 1993, and a coalition partner in every government from 1995 to 2004 and 2006 to 2010. All for Latvia, in contrast, had only previously contested one national election (polling just 1.48% of the vote). It had a far younger and more activist membership that had long accused For Fatherland and Freedom/Latvian National Independence Movement of selling out on core nationalist issues, such as the border treaty with Russia which signed away land that had been part of the inter-war Latvian state. All for Latvia had a far more populist rhetoric and uncompromising nationalist position. For example, it organized annual marches in the centre of Riga in memory of the Latvian Waffen SS legions that fought in World War II.

The third government coalition partner was the Green-Farmers Union. Despite its obvious internal ideological differences, the Green-Farmers had been a stable alliance since 2002. Indeed, they had been a part of every government coalition since then. The alliance was connected to Aivars Lembergs, the long-serving Mayor of Ventspils (a port city that serves as a hub in the international oil transit business. The small party that controlled the local municipal government - For Latvia and Ventspils was an electoral partner of the Green-Farmers Union), and one of Latvia’s triumvirate of oligarchs.² Mr Lembergs, who had faced

² “Oligarch” is a word widely used in Latvia to describe wealthy individuals that combine running business empires with holding political office

bribery and money-laundering charges since 2006 and could leave the country, was controversially nominated as the alliance's candidate for the post of Prime Minister and thus the de-facto leader of the bloc.

Latvia's two other oligarchs - Ainars Šlesers (Latvia's First Party/Latvia's Way, itself an unusual combination of conservative clerical and liberal pro-European parties) and Andris Šķēle (People's Party) - put aside their long-standing economic differences to form the 'For a Good Latvia' alliance. The two parties had won one-third of the seats in the previous parliamentary election, but were held responsible for the financial crash of 2008. At the start of 2010 opinion polls gave both parties just 2% of the vote, well below the 5% threshold. By coming together, Mr Šlesers and Mr Šķēle hoped to construct an explicitly pro-business movement that would provide the entrepreneurial know-how to bring Latvia out of recession. Latvia's first post-Soviet era President, Guntis Ulmanis, was recruited to lead the new alliance and give it greater gravitas.

Two political organizations campaigned as representatives of the Russian speaking minority. For Human Rights in a United Latvia was the older and more politically radical of the two. It was founded by three small parties in 1998, and went on to win 16 seats in that year's parliamentary election, increasing its share of seats to 25 in 2002. However, its radical pro-Russian rhetoric made it an impossible government coalition partner. As a result, it fractured in 2003 as a number of the alliance's constituent parties left its ranks seeking to create a more moderate force that could become a realistic government coalition partner. The rump alliance only barely passed the 5% threshold in 2006. It registered as a party in 2007. Harmony Centre was formed in 2005 by a number of the break-away parties in advance of the parliamentary elections the following year. It quickly established itself as a more moderate and electable force, and actually won a plurality of seats in the Riga municipal elections in 2009. It held the high-profile post of Mayor of the capital city since then. Although Harmony Centre presented itself as ideologically left-of-centre, it was generously financed by a number of major Latvian businesses, including the now nationalized Parex Bank.

A number of smaller parties and alliances had also been formed in the run-up to the election. The Latvian Social Democratic Workers' Party, the oldest party in Latvia (although not currently represented in parliament) formed Responsibility, a left-wing electoral union with Libertas.lv and the Latvian Movement for Solidarity. The Latvian Producers' Party united a number of small and medium sized enterprise owners around a vague programme that called for both lower taxes and more government assistance for business. 'For a Presidential Republic' demanded a new Latvian constitution that would hand over more powers to a popularly elected president. The Final Party was a frivolous satirical party that achieved some prominence through a nihilistic electoral campaign, nominating a teddy bear as Prime Minister. However, these latter parties had little money and no charismatic leaders, and were largely ignored by voters.

The Campaign

The election campaign was fought on two major issues: Latvian-Russian relations and the economy. As in previous years, and despite changes to the electoral law, much of the campaigning revolved around party leaders, with questions of personality frequently usurping policy. Unity based its campaign around the popular incumbent Prime Minister, Valdis

Dombrovskis. 'For a Good Latvia' focused its advertising campaign on Ainars Šlesers, even adopting the nonsensical "hard" as its slogan, in order to play on Šlesers' no-nonsense hard-man image. Despite his ongoing criminal trial, Ventspils Mayor Aivars Lembergs remained popular and was much used in the Green-Farmers Union campaign. The use of these charismatic personalities was only partially tempered by a change to the electoral law that barred the use of so-called "locomotive" candidates (the placing of popular candidates on the party slate in all five electoral districts - from 2010 candidates could only stand in one district). This change certainly led to an increase in the number of candidates on party lists (an average of 12 per seat, as opposed to the 10 per seat that competed in the previous two parliamentary elections), although it had little effect on the media campaign. Moreover, the number of candidates per party or alliance list rose from an average of 54 in 2006 to 95 in 2010. There were also significant differences in levels of campaign financing (state financing of parties will only begin in 2012), with the major parties still attracting large amounts of money despite the economic recession. Others struggled to get their message across. Furthermore, Latvia had an open list proportional representation electoral system. As a result, there were two levels of political campaigning. A centralized party campaign and hundreds of individual campaigns, as candidates attempt to leapfrog over each other in the party lists.

Ethnicity remained the central cleavage in the Latvian political system. After the fall of the Soviet Union, Latvia introduced a series of laws that effectively limited automatic citizenship to ethnic Latvians and enhanced the status of the Latvian language while denying the Russian language, the first language of approximately 40% of Latvia's residents, any legal status. Subsequent liberalization of the citizenship law led to increased numbers of Russian-speakers gaining citizenship, but 17% (336,000) of voting age long-term residents in Latvia remained non-citizens. Latvia still had no major political party that had successfully crossed ethnic lines. In the 2010 campaign Unity Union expended a great deal of money and effort in portraying Harmony Centre and its leader Jānis Urbanovičs as hapless stooges of the Kremlin who, given the opportunity, would radically redirect Latvia's economy and foreign policy eastwards. This tactic played into a rise in ethnic tensions that had been initially fired by Mr Urbanovičs himself, who had controversially stated that if Harmony Centre was again excluded from the government coalition building process, Latvia could experience "Bishkek" type disturbances, in a reference to the bloody riots in Kyrgyzstan earlier that year. Harmony Centre was also linked with a public survey that had asked provocative questions about the likelihood of ethnic violence in Latvia.

Latvian-Russian domestic relations were central to the National Alliance and For Human Rights in a United Latvia campaigns. The National Alliance, whose campaign slogan was "For a Latvian Latvia", promised to not just keep Latvian as the only official state language, but also limit the use of Russian in the private sphere (job adverts typically require applicants to be fluent in both Latvian and Russian). In contrast, For Human Rights in a United Latvia promised to work towards granting automatic citizenship to all Latvia's non-citizens, and registering Russian as an official language in all municipalities and local authorities where Russian-speakers are at least 20% of the population. For a Good Latvia was the only party that attempted to appeal to both ethnic Latvian and Russian voters, arguing that the economic crisis could only be overcome by co-operation rather than conflict. It prepared election literature in both Latvian and Russian, and also attempted to have an ethnic balance among its candidates, although its best-known candidates were exclusively Latvian.

Economic debate centred on the future of Latvia's relations with the international lenders that had bailed out the Latvian economy in late 2008. Unity Union insisted that continuing co-operation with international lenders, cutting government spending and raising and reforming taxes was the only way forward. Unity stressed that it had not been responsible for the financial crisis, but had taken responsibility for fixing the mess. In contrast, For a Good Latvia made a point of repeatedly referring to the bailout as a "financial occupation", a loaded phrase in a state which experienced both German and Soviet occupations between 1940 and 1991. However, much of For a Good Latvia's advertising campaign was made up of absurd slogans such as Ainars Šlesers' promise that he would "show you how to make money, not save money". Even the Green-Farmers Union, a part of both Mr Kalvītis' government in the boom years, and the Dombrovskis cabinet in the more recent austerity period, argued for the re-negotiation of the terms of the international bailout and dangled the possibility of persuading the lenders to simply cancel repayment of the loan. Both Harmony Centre and For Human Rights in a United Latvia argued in favour of fundamentally reconstructing Latvia's economic system from its current liberal to a more social-democratic Nordic-type system. For example, both parties supported the introduction of a progressive income tax regime. These were the only social democratic voices heard in the campaign. The Latvian Social Democratic Workers' Party lacked both the credibility and the financial means to compete with the leading parties and blocs. Indeed, one of its leading members, Atis Lejiņš, was recruited to stand in the election as a Unity candidate.

The 2010 election featured more prominent individual candidate campaigns than in previous years. This was partially because the major political contenders were alliances rather than parties and were thus less cohesive units, but also because digital media and the Internet offered new ways of reaching voters. All for Latvia candidates were particularly active. One candidate, Imants Parādnieks, combined the new media with an idealistically old-fashioned campaign that saw him spend most of August dressed in traditional linen clothes and travelling across the Zemgale electoral district in a horse and cart. The daily highlights were videoed and uploaded on to his homepage, and also communicated through his Facebook, Youtube and Twitter accounts. Other candidates regularly blogged, tweeted and used other forms of electronic communication. Unity Union candidates also regularly campaigned on the streets and in the parks of Riga. One candidate, a former head of the Latvian branch of transparency international, handed out boxes of matches emblazoned with the logo "lets burn out corruption!"

The role of the media proved to be quite controversial in the election. Ownership of the Latvian print media is rather opaque, and political sympathies tend to be rather hidden. There was some concern among political observers when *Diena*, Latvia's independent liberal newspaper of record, was sold to an unknown investor by the Swedish Bonnier media group. Several months later key editorial and journalist staff walked out, eventually founding a new weekly news magazine. A few months before the election *Diena* changed hands again, and came under the control of Viesturs Koziols, a Latvian businessman strongly linked to the For a Good Latvia alliance. Indeed, For a Good Latvia was also guaranteed positive coverage in the Russian language press after the Chairman of *Chas*, an influential Russian language daily newspaper, decided to run on the alliance's ticket. Latvian Independent Television, which had previously been owned by Rupert Murdoch's News International, was run by one of the founders of For a Good Latvia. The channel hosted a series of televised public debates ("Latvia we are listening") typically featured an un-balanced panel of politicians and business

leaders connected to For a Good Latvia. One media critic noted that these discussion programmes were essentially unregulated hour-long party political broadcasts.

Results

Voting took place on the first Saturday in October, with the polls open from 07.00-20.00 hours. Latvia does not have a voter register, so citizens could vote at any of the 949 polling stations in Latvia or the 64 stationed abroad. Turnout was 63.12%, higher than the 61.88% that voted in 2006, but less than had been expected after the dramatic economic and political events of recent years.

The results were much as opinion polls had predicted, with the governing coalition being returned with an increased majority. The only major surprise was that, as **Table 1** shows, Unity Union snatched victory from Harmony Centre, which had led the polls throughout the campaign. Unity polled 31.2% of the vote (33 out of 100 seats), the second highest share of the vote recorded by any party since the renewal of Latvian independence in 1991. The other two government coalition electoral alliances also increased their share of the vote, with the Green-Farmer's Union polling 19.7% (22 seats), and the National Alliance 7.7% (8 seats).

Table 1. 2010 Latvian Parliamentary Election Results

| | Number of votes won | % of votes cast | Number of Seats (100) | Number of seats won in 2006 (100) |
|--|---------------------|-----------------|-----------------------|-----------------------------------|
| Unity Union | 301,429 | 31.22 | 33 | 18* |
| Harmony Centre | 251,400 | 26.04 | 29 | 17 |
| Green-Farmers Union | 19,681 | 19.68 | 22 | 18 |
| National Alliance | 74,029 | 7.67 | 8 | 8** |
| For a Good Latvia | 73,881 | 7.65 | 8 | 33*** |
| For Human Rights in a United Latvia | 13,847 | 1.43 | 0 | 6 |

Source: Latvian Central Election Commission 2010

*All seats won by New Era.

** All seats won by For Fatherland and Freedom/Latvian National Independence Movement. All for Latvia polled just 1.48% of the vote in 2006.

*** Total of seats won by the People's Party (23) and Latvia's First Party/Latvia's Way (10).

The three opposition blocs performed slightly worse than had been expected. The pro-Russian Harmony Centre significantly increased its share of the vote to 26% (29 seats). However, this was less than the 30% that pollsters had consistently predicted, and the party leadership had expected. For Human Rights in a United Latvia saw its voters defect to Harmony Centre, which now had a virtual monopoly of the Russian speaking electorate, and won just 1.43% of the vote, leaving it well below the 5% threshold for entry into parliament, and even below the 2% barrier needed in order to receive state financing from 2012. With little money and no charismatic leaders, it was likely to be absorbed into the Harmony Centre alliance. The For a Good Latvia alliance outspent its rivals, but won just 8 seats, far less than the combined 33 the two parties had won in the previous 2006 election. Two of the alliance's founders declared bankruptcy a few weeks after the election.

There was significant vertical movement in the candidate lists. The most stunning success was achieved by All for Latvia candidates, who overtook their more experienced and well-known For Fatherland and Freedom/Latvian National Independence Movement alliance colleagues by quite some margin. For example, in the central Latvian Vidzeme district, all three National Alliance deputies are All for Latvia members. The second ranked candidate, a leading, albeit controversial, member of For Fatherland and Freedom/Latvian National Independence Movement received three times as many negative as positive remarks, and slipped down to last in the candidate list. Six of the eight elected National Alliance deputies are All for Latvia members. Similar movement was also seen in the Unity Union list, where Civic Union candidates (particularly those that had joined from the “Umbrella Group”) fared particularly well.

The Latvian constitution gives the President one month to let the dust settle after an election, and decide on which candidate to nominate for the post of Prime Minister. However, the 2010 election result left the President with little option but to nominate Valdis Dombrovskis. Indeed, Mr Dombrovskis got to work on forming his new coalition even before the official nomination. However, the extent of his victory seemed to catch him by surprise. He initially dithered between continuing the pre-election coalition with the Green-Farmers and the National Alliance, and supplementing it with Harmony Centre as a demonstration of national unity. Ultimately, both options were vetoed by his own alliance partners. First, a small number of Civic Union deputies announced that they would not vote for a government that contained Harmony Centre as a partner. Faced with this early challenge to his authority, Mr Dombrovskis caved in and set-about renewing the previous coalition without Harmony Centre. However, this second option was vetoed by the Society for a Different Politics part of Unity, which declared that it would not work with the populist nationalists of All for Latvia that now dominated the National Alliance parliamentary fraction. Mr Dombrovskis eventually announced that the new government would be a minimal coalition of just Unity Union and the Green-Farmers Union, with a majority of 55 out of 100 seats. The President officially nominated Mr Dombrovskis for the prime minister post on 2 November, in the first plenary session of the new parliament, and the following day the new government was approved by 63 votes to 35 (the National Alliance voted in support of Mr Dombrovskis).

Conclusions and reflections on the absence of “Europe” in Latvian elections

Although only five political blocs were elected to parliament, the fewest in Latvia’s history, this was likely to be a fractured parliament. Both the Unity Union and the Alliance for a Good Latvia were a loose collection of parties and individuals with vastly differing values, ideologies and policies. The National Alliance had a small centrist-pragmatic and a larger populist wing. The fragmentation of these three alliances into smaller units offered the far more unified Harmony Centre its likeliest path to power. The pragmatic and generally quite disciplined Green-Farmers Union would certainly be prepared to work with Harmony Centre. However, in the short-term it was likely to continue working with Unity, not least because as the only coalition partner it exerted a great deal of leverage over the government.

As with all previous post-Soviet elections in Latvia, including the 2004 and 2009 European Parliament elections, European issues barely encroached on the political agenda. Barring the fundamental issue of national identity behind the ethnic cleavage, elections are dominated by

domestic economic and social concerns. This lack of “Europe” seems to largely be a product of the elite-driven nature of accession to the EU, which placed discussion of fundamental European issues as beyond the realm of political contestation. Both “Latvian” and “Russian” politicians see Europe as an intrinsically good thing. For Latvians it provides linkage with the West, for Russians it provides a framework of human rights protections. There are no credible Eurosceptic organizations to promote discussion and debate. Moreover, the dramatic economic downturn of 2008-2010 revealed that Latvia still had plenty of domestic political and economic issues to resolve. As a result, European issues will remain peripheral to Latvian politics in the foreseeable future.

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This is the latest in a series of election and referendum briefings produced by the European Parties Elections and Referendums Network (EPERN). Based in the Sussex European Institute, EPERN is an international network of scholars that was originally established as the Opposing Europe Research Network (OERN) in June 2000 to chart the divisions over Europe that exist within party systems. In August 2003 it was re-launched as EPERN to reflect a widening of its objectives to consider the broader impact of the European issue on the domestic politics of EU member and candidate states. The Network retains an independent stance on the issues under consideration. For more information and copies of all our publications visit our website at <http://www.sussex.ac.uk/sei/1-4-2.html>.