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Thursday, October 31, 2002

Volume 1 Issue 8



Baltic States Presidents (above from L to R): Arnold Ruttel, Estonia; Varis Vike-Freiberga, Latvia; and, Valdas Adamkus, Lithuania.

Pictured on the right, Romans Baumanis, Vice President and Managing Director

Photo: Ilmars Znotins/Diana

Elections in Latvia — Same Priorities, New Players

The Latvian parliamentary elections of 5 October 2002 saw a new political party capture a surprisingly strong majority, setting the stage for a new Prime Minister and government to lead the country's 2.5 million people.

But, says Romans Baumanis, PBN's Vice President and Managing Director in Latvia, "while faces may change, the country's policies and priorities are likely to stay the same."

In this edition of Access PBN, Romans offers his insights into the "whos" and "whys" of the recent parliamentary elections and analyzes

Latvian Elections Bring New Faces not New Policies

The New Era Party Garners 24% of the Electorate

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Latvia's "Wunderkind" Returns to Politics

Biography of Einars Repse, Leader of the New Era Party

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Nuclear Unclear

NATO Workshop on Lithuania's Nuclear Power

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what the results may mean for both domestic businesses and foreign investors.

Romans is in charge of The PBN Company•Baltics, which oversees client services in Riga, Latvia; Tallinn, Estonia; and, Vilnius, Lithuania.

Romans came to PBN in March 2001, after more than 10 years in public service working in Latvia's foreign service and government. His most recent assignment with the Latvian government was as Foreign Affairs Advisor to Latvian President Vaira Vike-Freiberga.

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Latvian Elections Bring New Faces not New Policies

By Romans Baumanis,
Vice-President and Managing Director
The PBN Company Baltics

Elections held on 5 October 2002 bring two newly created political parties to Latvia's Parliament — the New Era (24%), led by the former Governor of the Bank of Latvia Einars Repse, and the First Party (9.5%), led by a Lutheran priest Eriks Jekabsons.

Other election winners are the pro-Russian leftist coalition PCTVL (18.9%), the People's Party (16.7%), the coalition of Farmers and Greens (9.46%) and the conservative nationalist party TB/LNNK (5.4%).

The election's biggest surprise is the absence of the incumbent Latvian Way Party in the new Parliament. This veteran centrist party has held key leadership positions in all previous Parliaments and Governments since Latvia's independence in 1991.

Two competing Social Democrat parties also failed to reach the 5% threshold needed to enter Parliament, after winning in municipal elections just two years ago.

Governing can be Harder than Winning Election

The new center-right coalition being formed by the New Era, First Party, Farmers & Greens and TB/LNNK Party (which controls 55 out of 100 votes in the Parliament) is finding it harder to govern than to win elections.

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Latvia's Way political party waits for election results, including in middle, Andris Berzins, current Prime Minister of Latvia and Party Chairman.

Photo: Aivars Liepins/Diena

Infighting among the coalition over key cabinet posts is taking precedent over discussions of policy implementation. Rather than forging consensus on the Coalition Agreement and Declaration of Cabinet's Work, which traditionally forms the basis for new governments in Latvia, Einars Repse, leader of the New Era Party, is having to work hard to harmonize the most basic interests of coalition partners. Many analysts are talking about a potential political crisis, with substantial political and policy compromises suggested as the only solution to the current dead lock.

As a result, the President has announced that the earliest date when she will nominate a Prime Minister is November 5, after the new Parliament holds its first session. Repse, who initially seemed an odds on favorite for the post, must now focus on bridging differences among the coalition factions.

The New Agenda

The election results do not mean, however, that Latvians are dissatisfied with national priorities and want a fundamental change in the country's direction. Instead, the vote was more against a political leadership perceived as condoning government corruption and waste, and failing to solve the country's social problems.

On election night, Repse said: "Our government should not only be open and honest, it should be efficient, that is, professional. We have to completely forget and get rid of corruption."

The New Era and its coalition partners have promised Latvians to maintain the same center-right oriented policies but to implement them with unprecedented honesty and transparency. It has defined its priorities as fighting corruption, contraband and narcodealers, improving the collection of taxes, and moving forward with accession to NATO and the EU. It also vows to establish a more transparent and accountable government.

People's Party Down but Not Out

The coalition also shares the objective of blocking the third-place People's Party from a role in the new government. Coalition leaders perceive the People's Party as creators and protectors of a network of influential "oligarchs," who override the democratic system of checks and balances and steal power from the people.

Keeping the People's Party out of the new government will not be an easy task. The People's Party had a respectable showing in the election (16.7% of the vote) and has considerable experience maneuvering in Parliament after spending years in key Government positions. The People's Party promises to keep the pressure on Repse and his allies and predicts that the new coalition will shortly fall apart.

A New Political Era?

The new coalition will no doubt make mistakes because of its lack of political experience. A number of government novices are being eyed for key positions, such as Foreign and Interior Minister. In addition, the coalition may find it difficult to meet the high expectations of Latvians, who have grown tired of corruption, scandals and waste that have tarnished public perceptions of Latvia's leaders.

Only time — and much hard work — will tell if Latvia is truly entering a “new era” of political leadership.

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Latvia's "Wunderkind" Returns to Politics

The center-right "New Era" party, led by Einars Repse, was the big winner in the October 5 elections. New Era secured 26 seats in the 100-strong Latvian parliament, the Saeima.

Einars Repse — a fiscal conservative — returned to political prominence almost overnight. His party was only formed at the beginning of the year, and the size of his victory came as a surprise to many.

A physicist by education, Repse guided the country through complicated financial reforms in the 1990s, with economic revival taking place largely under his stewardship. In 1993, he spearheaded the replacement of the Soviet ruble with the national currency, the Lat, and also engineered tighter control over commercial banks after a banking crisis in 1995.

Like in neighboring Estonia, Latvia's return to independence was carried out largely by young people and Repse is one of the best examples of these "child wonders." In his 20s, Repse was a leading independence activist. Popular, charismatic, and even beloved by many, Repse was one of the founders of the LNNK independence movement and a leader of the Popular Front movement. In 1989, he was the editor of the LNNK magazine "Independence." He was involved in resistance against forced recruitment into the Soviet Army, arguing the case for alternative service. He was elected to the Soviet-era legislative body, the Supreme Soviet in 1990, and helped lobby Moscow and the West to restore Latvian independence.

Repse distanced himself from politics when he was appointed Head of

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New Era Part Leader Einars Repse on election night.

Photo: Aivars Liepins/Diena

the Central Bank in 1991 at the age of 29 — the youngest person in Europe to hold such a position. In 1998, he was included in the list of the world's 600 most influential financiers, compiled by the international magazine "Global Finance."

Last November, Einars Repse submitted his resignation from the post of President of the Central Bank. On February 2 of this year, he was elected to be the Chairman of New Era at the founding Congress of the party.

The 41-year old Respe is expected to be appointed the country's Prime Minister, responsible for forming a new government made up of his New Era party, along with leaders of the First Party, Farmers & Greens and TB/LNNK Party.

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Nuclear Unclear

PBN London's Managing Director, John Lough, spoke at a NATO-sponsored Workshop in Vilnius in September that looked at the options for building a new nuclear power plant in Lithuania. John gave his views on public attitudes in Lithuania towards nuclear power.

Forty Lithuanian and foreign experts attended the two-day event, including representatives from Westinghouse, General Atomics and Toshiba Corporation as well as Lithuanian government officials, members of parliament and participants from the United States, Germany, Latvia, Estonia and Russia.

"It looks as though Lithuania will study seriously the option of building a new nuclear reactor," John says. "It makes a great deal of sense provided that Lithuania's neighbors are prepared to buy its electricity. The recent decision by Finland to build another nuclear reactor and reduce the country's dependence on Russian natural gas is a very significant development."

Lithuania's two Chernobyl-style RBMK nuclear reactors at Ignalina generate over 73 percent of the country's electricity capacity. As part of Lithuania's negotiations on accession to the European Union, both reactors will be shut down and decommissioned, the first in 2004, the second in 2009.

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John Lough, PBN's Vice President and Managing Director • London



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News from PBN Worldwide

The PBN Party. Not a political party, but a Grand Opening bash of PBN•Moscow's new offices. The party was held on October 18th and featured nearly 200 friends, clients and colleagues visiting our new office. The new address is 3 Uspensky Pereulok. Building 4, Moscow, Russia 103006. Telephone: 7-095-775-0077. Fax: 7-095-775-0075.

Email PBN•Moscow: pbnmoscow@pbnco.com

Not On Hold. PBN•Kyiv signs up a new client, Ukrainian Mobile Communications, the country's largest mobile telephone operator, for government relations and public affairs services.

Email PBN•Kyiv: pbnkyiv@pbnco.com

A New Praktikantin (that's Intern in German). Please welcome Elena Ruth to PBN, who will be an intern in the firm's Washington D.C. office for the next five months. Elena comes to PBN from Munich, Germany, where she is studying political science at Ludwig-Maximilians University.

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PBN's reception celebrating the opening of the new Moscow office was attended by nearly 200 guests and clients. (top) PBN Board of Director Members, Sir Andrew Wood (UK) and Harold E. Mesirow (US) and his wife Diane, attended the reception. (bottom) Duma Member Vladimir Lukin (left) and Peter Necarsulmer.

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