

Latvia 2014



Total: 67.13

Quick facts

Population:	2.03 million
Unemployment rate:	10.84 %
GDP:	31.97 billion \$
GDP growth rate:	2.36 %
GDP per capita:	15730 \$

Political Freedom

Free and Fair Elections : 9.29

Elections in Latvia are generally free and fair, and political parties operate in an unrestricted environment. Members of Latvia's unicameral 100-seat parliament are elected for four-year terms. The president – head of state and commander-in-chief of the armed forces - is elected by the parliament and may serve a maximum of two four-year terms. The prime minister is nominated by the president and approved by the parliament.

The right to vote and stand for election is reserved for Latvian citizens. But non-citizens (amounting to roughly 14% of the total population) may join political parties, provided that the number of non-citizen party members does not exceed the number of Latvian members. Political parties generally organise and operate freely. But political candidates may not stand for election as independents and persons who belonged to communist or pro-Soviet organisations after 1991 are barred from holding public office.

Absence of Unconstitutional Veto Players : 5.83

Wealthy oligarchs have repeatedly been accused of exerting overt and covert influence over political parties and government over the past years. Although reforms to party financing and election advertising have been introduced, the problem still exists to a certain extent.

Freedom of Press : 7.3

Freedom of the press and expression are constitutionally granted and by-and-large upheld in practice. Latvia has a diverse spectrum of media outlets which report freely on a wide range of political issues. Investigative journalists and whistle blowers have occasionally complained about harassment by police and criminal charges (libel is a criminal offense) but cases against journalists are few and far between.

Rule of Law

Independence of the Judiciary : 4.58

Judiciary in Latvia is just slightly in a better shape than in Lithuania. Inefficiency, political influence on courts, slow enforcement of contracts and corruption are problems that both countries share, in spite of their otherwise remarkable transition from Soviet to EU system of government. Similarly, problems occur also in the law enforcement system: lengthy pre-trial periods, abuse of detainees or prisoners and over-crowding in prisons. In some cases in Latvia – additionally - access to health care in prisons was inadequate. Authorities made efforts to diminish discrimination through massive re-training of police officers. Still, due to unclear legal procedures, problems occur in the treatment of asylum seekers who, according to Amnesty International reports, are sometimes considered as plain illegal immigrants.

Corruption : 5.3

Latvia is less corruption-cleaned than Lithuania or Estonia, even though the situation has been improving. Transparency International ranked it as 48 of 177 countries of the world in 2013 (score: 53). It was better than the 2012's ranking as 54 of 176 (score: 49). Global Corruption Barometer 2013 showed political parties (by 68% of citizens) and public officials and civil servants (by 63%) as the most corrupt parts of public life, while the most trustworthy ones were religious bodies (just 13%), military (17%), NGOs (18%) and educational institutions (19%). As Freedom House assessed, corruption was present at all levels of government. The famous Aivars Lembergs case (of a powerful businessman and a mayor of a town in Latvia) showed how slow and inefficient anti-corruption struggle was, whereas the accused remained at various political positions while the criminal proceedings against him dragged on between 2007-2012, without an end in sight. Moreover, an attempt by the Minister of Regional Development to depose Lembergs faced strong opposition in the latter's local council.

Protection of Human Rights : 7.29

Ever since regaining independence and starting EU accession process, Latvia has struggled to implement European standards in many fields of protection of human rights. That was the case especially regarding religious freedom (in a post-atheist while multi-confessional environment) and academic freedom. Similarly, NGOs and trade unions are enjoying a favourable treatment. The LGBTs' Pride march was peacefully held in the capital city Riga in July 2012, even though legislation protecting them is scarce. But, even worse than in neighbouring Estonia, "identity

politics” is the main source of various aberrations from the mainstream-EU human-rights practices. Non-citizens (mainly ethnic Russians originating from other parts of the former USSR) constitute 15% of all residents. Naturalization procedure has not been automatic – passing serious language tests or satisfying other formalities have been demanded. Non-citizens cannot vote, assume public office or even work in government offices. Broadcasting in non-Latvian languages is limited. Worse to it, Holocaust denial (or even anti-Semitism in its own right) is often smuggled as anti-communism or anti-Sovietism. Neither Latvian nor pro-Russia nationalists accept a non-bias approach to 20th century history. In the view of the former, many Nazi collaborators were “national liberation heroes”, while in the eyes of the latter nearly all Latvian dissidents were “fascists”. On the top of it, in the climate where WW2 revisionism is not delegitimized, the anyway present Romophobia or other bigotry is practiced more easily.

Economic Freedom

Security of Property Rights : 6.03

Property rights in Latvia are over all protected, however there lots of areas in which improvements are necessary. Integrity of the legal system is not guaranteed, due to judicial independence not being upheld in all cases. Courts can also be partial in many cases, and legal procedures can be long, thus violating the proper standard of reasonable time in court proceedings. Enforcing legal contracts is not only long and complicated, due to high number of legal procedures that to be satisfied, but is also very costly. Police reliability remains inadequate. However, there are no major restrictions on possessions of property – Latvia was among the first ex-USSR nations to let foreign legal entities and natural persons to own land.

Size of Government: Expenditures, Taxes, and Enterprises : 6.03

Government total expenditure is at 37% of GDP, slightly lower than in most Central and Eastern Europe (CEE) countries than joined the EU. Government expenses exploded at the break of the financial crisis in Europe, due to strong recession. Austerity program supported by the IMF put the government finances again in order, while internal restructuring of the economy provided base for a robust economic growth. Minor deficits (under the Maastricht criteria threshold) are sustainable due to moderate public debt and economic growth. Transfers and subsidies remain high, making approximately 70% of all government expenditures. State owned companies in Latvia are mostly concentrated in the utility and transport sector, but still comprise a large share of the economy. Taxes on corporate income are low at 15%, while VAT levels are 21% and 12% (preferential rate). However, the overall tax wedge is highest in the Baltics, being 44% due to high social contributions (11% of the gross wage on the behalf of the employee, and 24% on the behalf of the employer) and flat personal income tax of 24%.

Regulation of Credit, Labour, and Business : 6.7

Latvian business environment is overall business friendly. Starting a new business is easy and inexpensive, there are very little licensing as a prerequisite for conducting a business and tax compliance is not complicated. However, administrative requirements can be complicated

incurring high bureaucracy costs (for example, getting electricity is a quick process but is very expensive), which is a suitable environment for partial treatment by government officers. Several waves of reforms of the inspectorate were taken to alleviate these problems, but further improvements are necessary. Labour regulations are mostly flexible, but with retraining or reassignment obligation of the employer for the workers prior to redundancy. Severance pay increases with the years in tenure, which discriminates older workers in the labour market making their new employment more expensive. Minimum wage is relatively high, reaching more 50% of the average wage, and is expected to be further increased.

Freedom to Trade Internationally : 8.78

Being a small open economy, Latvia's economic prospects are dependent on specialization and international trade. Good transportation infrastructure which enables cheap and fast movement of goods complements this situation. Tariffs are low, in accordance with the EU common trade policy. Paperwork for import or export of goods are not difficult to obtain, within short timeframe. However, there are major non-tariff restrictions on free trade, due to complicated and difficult standardization procedures imported goods have to follow. Obtaining working permits and residence permits for non-residents (EU citizens have the same rights on the labour market as nationals) is an issue, with restrictions to free movement of people.