

**THE FEDERAL TRUST**

*Enlightening the Debate on Good Governance*

**Latvia's  
place  
in a  
New Europe**

**Dr Vaira  
Vike-Freiberga**

**European Essay No.13**

## **A Definition of Federalism**

Federalism is defined as 'a system of government in which central and regional authorities are linked in an interdependent political relationship, in which powers and functions are distributed to achieve a substantial degree of autonomy and integrity in the regional units. In theory, a federal system seeks to maintain a balance such that neither level of government becomes sufficiently dominant to dictate the decision of the other, unlike in a unitary system, in which the central authorities hold primacy to the extent even of redesigning or abolishing regional and local units of government at will.'

(New Fontana Dictionary of Modern Thought)

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## INTRODUCTION

The debate inside the European Union tends to concentrate – with obvious good reason – on the concerns of the current member states. There are serious enough problems in making the Institutions work efficiently and effectively now to merit attention and they are the subject of the Intergovernmental Conference due to culminate shortly in the Treaty of Nice. But our view of them tends to suffer from West European myopia, ignoring the legitimate concerns of those states waiting to join the Club whose rules we are busy rewriting. So it is timely and refreshing to read this European Essay by the President of Latvia, widening our Western vision to see things from a broader and a different perspective.

Dr. Vike-Freiberga's starting point is the recovery of nationhood by Latvia, but her conclusions relate to the new Europe that is emerging from the collapse of Communist domination in Eastern Europe. The speech starts with thanks for Britain's contribution to Latvia's recovery, but it soon moves into areas which raise for us in Britain, along with all other Europeans, serious issues which even the Treaty of Nice will not answer:

- Determining the European Union's future identity
- Continuing the European Union's enlargement
- Expanding Europe's stability space

This situates this Essay in the mainstream of the debate about the longer term future of Europe, what is coming to be called 'l'après-Nice'. It follows on from the Prime Minister's recent speech in Warsaw, which itself replied to Joschka Fischer's and Jacques Chirac's speeches from earlier in the year. And in that debate about the 'l'après-Nice' accession states want to play their part.

That implies at least two conclusions. Firstly, that a timetable for accession be fixed soon, and, secondly, that there is no division of Europe into two leagues, with some states in an upper tier and others in some way less fully European.

As for the first, Latvia expects to complete all necessary negotiations by the end of 2002, to participate in the European Elections of June 2004, and to be a full member of the Union no later. The Swedish Presidency in the first half of next year plans to progress negotiations as a priority, and Latvia, along with many other candidate countries, considers these targets to be realistic.

As for the second, Latvia and British governmental views coincide. Neither country wants a 'hard core' of integrationist states to outstrip the rest of the Union in such a way that their efforts become divisive. Any selective push for greater integration must keep the door open for other states to join the leading group without having to clear additional obstacles.

Given Latvia's geographical position and its history, the President's concern for NATO enlargement alongside EU enlargement is understandable. Her supportive comments on the development of European Security and Defence Policy parallel her concern to strengthen transatlantic ties; the two are not contradictory. And this is an area in which 'l'après-Nice' discussions including candidate countries will be essential.

This essay redresses the balance for Western European readers, and shows clearly that Eastern European candidates, small or large, have much to contribute to the debate.

Martyn Bond

Director

December 2000





# Latvia's Place in a New Europe

**An address by Dr. Vaira Vike-Freiberga,  
President of the Republic of Latvia  
The London School of Economic and Political Science  
27 October 2000**

Prime Minister Tony Blair, in his recent address at the Polish Stock Exchange in Warsaw, emphasised the special role played by the UK and the United States in ensuring stability and security in Europe. The Prime Minister was quite right in pointing this out, and I would like to take this opportunity to thank the United Kingdom for the exemplary support it has provided to Latvia in security matters.

The UK was among the first countries to recognise Latvia's statehood *de facto* in 1918, when Latvia declared its independence. After Latvia lost its independence in 1940, the UK refused to recognise *de jure* the occupation and annexation of the Baltic States by the former USSR. Thanks to this policy of non-recognition, Latvia's diplomatic mission continued to operate in London throughout the long years of Soviet occupation.

Since the fall of the Iron Curtain, the UK has become an important ally not only of Latvia and her Baltic neighbours,

but of all of the Central and Eastern European nations. We are thankful for the clear expressions of political and practical support which the UK has offered and continues to offer.

The current British-Latvian relationship is firmly rooted and well established. Both of our countries have common goals and priorities, which include the building of a strong and united Europe.

Our relationship will be further strengthened in the not too distant future, when Latvia becomes a reliable partner of the UK within the framework of both the European Union and NATO. Accession to these two organisations is Latvia's top foreign policy priority, and the principal focus of our current efforts.

Latvia's current position, as well as its aspirations for the future, have been made possible by the end of the Cold War. The end of this protracted conflict barely a decade ago was met with euphoria all across Europe. The Iron Curtain, which had been arbitrarily separating Latvia and the other Central and Eastern European nations from their Western neighbours, was finally lifted.

With the collapse of the Soviet Union, the former communist bloc countries could resume their status as sovereign states and independent political entities. Given at last the opportunity to make their own choices, they have opted firmly in favour of Western democratic values and the concept of a civil society. Armed with the determination to reassume their rightful place in an extended family of European nations, they have been working hard to rebuild their economies and to restructure their social systems.

The common values that our countries hold rest on a solid core of immutable, fundamental principles: free elections and genuinely democratic political institutions, respect for private property and the existence of a free market economy, respect

for human rights, and the primacy of the rule of law. These principles are the foundation upon which we wish to build, in order to create a family of secure, stable and prosperous nations that will eventually encompass the entire European continent.

The realisation of such a monumental endeavour will require a high degree of integration on a European scale, and involve a number of mutually reinforcing processes. These are:

- the determination of the European Union's future identity;
- the continuation of the European Union's enlargement;
- and the expansion of Europe's stability space.

I will begin with the process of determining the European Union's future identity.

The creation of the European Union soon after the end of the ruinous destruction of the Second World War, brought with it an era of unprecedented peace and prosperity in Western Europe. This Pax Europea has lasted half a century, and I devoutly hope that it will continue to reign for centuries to come.

Yet in other aspects of our daily lives, it seems that Heraclitus' dictum: '*Panta rhei*' or 'Nothing endures but change,' remains as appropriate a motto for our post-modern age as it was in pre-Socratic Greece. The need to be competitive on a global scale, along with the challenges posed by the influx of a large number of new member states are among the external pressures that the EU will have to undergo in the 21<sup>st</sup> century. While these pressures have contributed to the need for change, the European Union's own internal dynamics have reached a stage that requires new answers on the future of this international organisation.

Discussions on the final form of a new Europe, its models and perspectives, have taken place with renewed vigour this year. British Prime Minister Tony Blair's speech at the Warsaw Stock Exchange, European Commission President Romano Prodi's discourse in Strasbourg, French President Jacques Chirac's statement at the German Bundestag, German Chancellor Gerhard Schroeder's and Italian Prime Minister Giuliano Amato's joint declaration, as well as the common memorandum of the Benelux countries have addressed a variety of options.

We in Latvia are following this discussion with great interest. Clearly, the EU we enter will differ from the one we know at present. Given the difficulties of arriving at a rapid agreement on some very fundamental issues, we believe that certain aspects of the EU's reform should be decided upon at a later stage. This would provide an opportunity for acceding member states to participate in shaping the future of the European Union.

In this respect, we strongly support Prime Minister Blair's proposal that the new EU member states participate in the next EU parliamentary elections in 2004, and that they obtain seats at the next Intergovernmental Conference. Latvia will be ready to assume its place among these countries.

Whatever model is chosen for the future EU, the equality of the Union's member states must be ensured, and the creation of a two-tiered Europe must be avoided. Greater flexibility and enhanced co-operation, based on openness and non-exclusion, are the key words for success in this respect. If positive change is to be implemented, then the citizens of all European countries must feel that their voice is being heard and listened to.

The most important political decision for Europe in the next century has already been made - the EU will extend eastward to include the countries of Central and Eastern Europe. This

being so, the most urgent institutional reforms of the EU should be agreed upon at the upcoming Nice Summit, in order to avoid unnecessary delays in the enlargement process.

Enlargement will bring great rewards, both to the EU's existing members and to the new ones. For the EU member states, enlargement means more stability, more security and more opportunities. The success of this enlargement will determine the EU's capacity to compete on a global scale. The European Union of the future, with over 500 million people, will be not only an economic and political superpower, but also a democratic and stable entity with modern and open societies.

For the EU candidate countries, enlargement means more than fulfilling the accession criteria set up by the Union. It also means growth, development, prosperity and security. Each of the candidate countries has already implemented enormous political, economic and social changes over the past ten years, in an effort to contribute to the welfare and stability of Europe as a whole. Sometimes these changes have come at a great social cost, but we see this as an investment in our common future.

The EU Council at Helsinki formally ended the political division of aspirant countries into groups. Currently, the French Presidency is trying to do away with the last vestiges of such a grouping *de facto*.

All of the candidate countries are now being given an equal chance to complete the accession process according to the real progress they have made. This is an open and fair process, in which each country's readiness can be judged on its own merits, according to its ability to answer to the Copenhagen criteria.

Latvia is making use of this opportunity. We are ready, willing and able to proceed ahead at a rapid pace. Our aim is to

conclude accession negotiations by the end of 2002 at the latest, when we will have adopted the *acquis communautaire* and will be prepared to implement it fully. This date coincides with the EU's target date for accepting the first new member states.

Latvia hopes to be among the first candidate countries to join the EU. There is only one precondition remaining in order for Latvia's accession negotiations to be concluded by the target date. All the remaining chapters of negotiation should be opened for discussion early next year, when Sweden assumes the presidency of the EU. Latvia welcomes Sweden's commitment to ensure that accession negotiations do not falter.

The third dimension of European integration involves expanding the area of stability in Europe. This will be accomplished in part through the EU's integration and enlargement, and is a gradual process.

It will also be accomplished through a variety of European co-operation projects, which have served to bring the EU member states and candidate countries closer together. Now such projects are being developed in other countries and regions of Europe as well.

One important task and challenge is the stabilisation and reconstruction of South Eastern Europe, and its integration into the European mainstream. I am pleased that the Former Yugoslav Republic of Macedonia has begun negotiations on a Stabilisation and an Association Agreement with the EU. Croatia is about to start this process, and Albania has expressed its wish to do so. Bosnia and Herzegovina is on its way to becoming a member of the Council of Europe.

Less than a month ago we witnessed a historical event – the people of Yugoslavia brought down Milosevic's regime, thus making very clear their choice for democracy and freedom. We hope that a comprehensive democratisation process will

take hold in the Federal Republic of Yugoslavia, eventually leading to that country's close relationship with the European and transatlantic communities. We should all provide every possible form of assistance to facilitate Yugoslavia's entry into the European community of democratic and free nation nations.

Last year, Latvia welcomed the Helsinki Council decision to grant Turkey the status of an EU candidate country. We look forward to Turkey's progress in the European integration process.

No less important is the EU's relationship with Russia, a major co-operation partner in the Baltic Sea region. Dialogue, co-operation and engagement are imperative. We welcome the European Union's constructive approach through the development of a Common EU Strategy towards Russia. Simultaneously, we look forward to Russia's commitment to European values in deeds as well as words.

As I already mentioned, Latvia sees accession to both the EU and NATO as its highest priorities. These should be viewed as parallel processes, or as flip sides of a single coin. We see membership in these two organisations as being mutually complementary, and as the best means for ensuring our full involvement in European and transatlantic affairs. We have been realistic in setting targets, dates and in ensuring the necessary human and financial resources to achieve them.

Latvia, along with its neighbours Estonia and Lithuania, has taken advantage of its relatively small size, as well as the fact that the three Baltic States did not inherit Soviet style military forces and equipment. This meant, of course, that we had to start from zero and build from the ground up. But this allowed us to achieve quick progress, and today the three Baltic countries can serve as a positive example of transformation and co-operation. Together, we have implemented common

Baltic defence projects, participated in NATO-led peace operations, and educated a large number of soldiers and officers with a good command of English.

We are steadily increasing our defence expenditures from year to year, with the firm commitment to reaching 2% of the GDP by the year 2003. This is the average level of defence spending among the current NATO member states. This is the level that will help us to attain the necessary NATO interoperability requirements and self-defence capabilities.

The NATO summit of 1997 in Madrid recognised the notable progress made by the three Baltic States. The NATO summit of 1999 in Washington gave us the status of candidate countries. We look forward to the next Summit, that of 2002, which should bring all three Baltic States into the Alliance.

Latvia is following the development of the European Security and Defence Policy with great interest. The leading role played by the UK and France in the establishment of a European military force, and in ensuring better crisis management capacities, is undisputed.

There is no doubt that Europe must be able to act quickly in order to deal with crises on the continent. Latvia supports the EU's Headline Goal and is ready to contribute in a concrete and operational manner to the EU's crisis management capabilities.

At the same time, it is evident that we cannot afford either duplication or misuse of resources. In Latvia's case, our contribution will consist mainly of units assigned to NATO-led peacekeeping operations. We believe that closer co-operation among the Baltic and Nordic countries to attain the EU's Headline Goal could prove as useful as has been the case with NATO-led operations.

We are also convinced that the transatlantic link should be strengthened simultaneously with the development of a



greater European ability to take care of itself. Europe should continue working together with the United States and Canada to address and solve security challenges. As Prime Minister Blair has correctly pointed out, the UK's excellent military relations with the US can serve to the benefit of Europe as a whole.

Europe stands on the threshold of a new millennium. We face the challenge of integrating the continent's various countries and regions, and of modernising our societies. Globalisation is a pervasive and all-inclusive phenomenon. For good or ill, it is bound to affect every nation. Among other things, it is forcing us to recognise that sustainable economic development occurs hand in hand with the building of dynamic and open societies.

Latvia has assumed the responsibilities of carrying out comprehensive reforms and modernisation in order for European integration to succeed. We have managed, in the space of one decade, not only to re-establish and consolidate a democratic political system, but also to create a fully functioning market economy.

These are no small feats for a country that ten years ago was still suffocating under the grip of the Soviet Empire with its totalitarian system of governance and an economy that was financially and morally bankrupt. Let me summarise briefly just some of Latvia's economic accomplishments:

Around two-thirds of Latvia's foreign trade is now being conducted with Western Europe, mainly Germany, the UK, and the Nordic countries.

The increase of Latvia's Gross Domestic Product (GDP) stood at 5.1 per cent during the first half of this year.

Latvia has one of the lowest annual rates of inflation in Central and Eastern Europe - only 2.5 per cent - along with a low national debt, and a stable national currency.

Our currency, the lat, is linked at a fixed rate to the SDR currency basket and has been stable for years.

Latvia's unemployment rate has gone down to 7.9 per cent by October 1<sup>st</sup> of this year.

The rate of foreign direct investment in Latvia, at 777US\$ per capita, is among the highest in Central and Eastern Europe.

To consolidate our future development, we would like to highlight our competitive advantage in information and communications technologies.

This branch in Latvia, as well as in neighbouring Estonia and Lithuania, is developing quickly due to an educational system strong in the sciences and in mathematics. More than 120,000 qualified information technology experts are working in the Baltics. The largest IT development company in Central and Eastern Europe, with more than 450 full-time software developers, is Latvian. Another company founded on Latvian scientific and hi-tech know-how is exporting all of its optic fibres for sophisticated laser equipment.

The transit trade is another profitable and promising branch of activity. Latvia's advantageous geographical location and fully developed infrastructure have made transit one of the most attractive sectors for investment. Within the field of natural resources, wood production and processing is proving to be a major income earner.

In addition to its vast forests of high-grade timber, Latvia is endowed with a highly qualified and relatively inexpensive labour force. Latvian wood exports to the UK make up 10 per cent of the entire British wood market.

Against the background of Latvia's successful economic development, we are fully aware that social concerns, such as the promotion of common values, cultural pluralism and diversity must not be neglected.

Our Government has undertaken a major project – the elaboration of a national programme for the integration of society in Latvia. This programme is unique in many ways and is structured around three main areas:

- (1) Civic participation and political integration;
- (2) Social and regional integration;
- (3) Education, language and culture, including the languages and cultures of minorities. At present, state-financed secondary education in Latvia is available in eight minority languages – Estonian, Lithuanian, Polish, Hebrew, Roma, Ukrainian, Russian and Belarussian. Our national integration programme has been subject to broad public debate. This debate has mobilised a number of NGOs and ultimately strengthened the role of civil society in Latvia's decision-making processes.

Latvia is ready to share the lessons it has learned in its transition process with other countries undergoing similar changes. Although there are no universal solutions or quick-fix recipes, we are sure that our lessons might be of use to other countries. We are already sharing our European integration experience with Ukraine, and are preparing to do so with Georgia.

We have gained a great deal from our friends and partners in Europe, and are ready to share in our accumulated experience with others. All Europeans wish to attain stability and prosperity, and we can pool our efforts to achieve these goals.

Europe - our common home - is a unique place, where so many nations with different cultural and political traditions and historical experience are learning to live together peacefully. Enlarging the fold should not be seen as

endangering the advantages of what the EU members have managed to build up and achieve. Enlargement will be a source of mutual enrichment, with the cultural diversity of the European countries as a major asset for the future of the continent.

Perhaps no one has said it better than John Donne, my favourite Metaphysical poet:

‘No man is an island, entire of itself;  
Every man is a piece of the continent, a part of the main.  
If a clod be washed away by the sea,  
Europe is the less.’

Britons and Easterlings alike, we are all part of the main.  
Every country is a piece of our Continent, and Europe is made  
the greater by including us all.

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