

British Embassy  
Riga

15 April 1992

The Rt Hon Douglas Hurd CBE MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
London SW1

Sir,

FIRST IMPRESSIONS OF LATVIA AND CHRONOLOGY FOR 1991

1 When Soviet forces invaded Latvia in June 1940 they ordered all diplomatic missions out of Riga, including the British Legation. Its staff left in good order, but had to leave the building as it stood, still identified as the Chancery by a brass plate inscribed in Latvian and English, with the crest of HM King George V. The Russians then took the building over, but unknown to us, the nameplate was kept in safe hands throughout the Soviet period. Last month the "Twenty One Club" of Riga, a political association, organised a presentation ceremony at which it was returned to us, resplendently polished, with a graceful speech about our two countries' traditional friendship from the Chairman of the Foreign Relations Commission of the Latvian Parliament. At another ceremony two months before that, the Riga Municipality formally transferred back to us the old Legation building itself, in Riga's equivalent of South Kensington. Both events are of a piece with the welcome the Latvians have given us since the Embassy, after fifty one years' absence, opened its doors - more precisely our hotel bedroom doors, on 5 October. They also make an appropriate opening to these first impressions, which are combined with a brief review of the main events which led up to Latvia's renewed independence. For the enclosed chronology, covering the whole of 1991 and some earlier landmarks, I am largely indebted to Research Department.

2 The often uncertain expressions I encountered last autumn when I said where I was going encourage me to begin with a snapshot of this attractive if troubled country. Even to those in the UK who knew something of them before the summer, the Baltic

/States

[REDACTED]

States must have seemed small, remote, and never likely to impinge much on our own affairs. In fact their populations, taken together, equal that of Sweden; Latvia itself, with its 2.7 million people, is greater in size at least than Switzerland or the Netherlands and is physically closer to the UK than an EC applicant such as Finland.

[REDACTED]

3 Riga itself is a green and handsome city, whose fine pre-war buildings and old town in the Hanseatic style have more than enough presence to face down the shoddy and pretentious Soviet additions of the post war period. Lenin's overbearing monument was carted off as soon as possible after the coup in Moscow. The city centre is once again dominated, unchallenged, by the Freedom Monument from the first republic; amazingly, the Russians never got round to demolishing it. The undulating and fertile Latvian countryside, despite areas of industrial pollution, has much undramatic beauty, with lakes, rivers and extensive forests of birch and pine. With their own distinctive and archaic Indo-European language, closely related only to Lithuanian, the Latvians have managed to preserve a rich musical heritage and folk traditions despite hundreds of years of colonisation by Swedes, Germans, Poles and Russians. The vitality of that culture made Latvian independence possible after World War I, and is the reason for its recovery last year. Certainly their two modest decades of independence before World War II do not make the Latvians feel any less a part of European civilisation than nation states with a much longer history. Their economic and political objective now is to rejoin the European mainstream as soon as they can overcome the enormous problems they now face.

#### RECENT HISTORY

4 The Chronology goes further back than the calendar year 1991, since the events of last year have to be seen as part of a process which is rooted in the Latvians' pre-war experience and their determination to reassert their national identity despite Soviet efforts to destroy it. Any hopes that they might regain their independence must have seemed completely unrealistic between Stalin's time and that of Brezhnev's immediate successors. The turning points were the accession to power by Gorbachev in 1985 and the formation of the Latvian Popular Front three years later. It is deeply ironic that the man whose reforms in the Soviet Union made possible the emergence of popular fronts in the Baltic States was eventually to prove their main stumbling block.

5 As in Estonia and Lithuania, the Latvian Front, once launched, increasingly seized the political initiative; this in turn made possible the election in March 1990 of a "Supreme Soviet" dominated by Latvian nationalists. The period of pre-independence was marked by dramatic demonstrations like the "human chain" stretching right across the Baltic States on the 50th anniversary of the Ribbentrop/Molotov pact; and by the new authorities' increasing efforts to promote purely Latvian interests in the 18 months preceding the August coup in Moscow. Soviet attempts to overthrow the Government in the early months of 1991 had exactly the opposite effect of strengthening the Latvians' resolve and of pushing them, despite their innate caution, into even faster movement down the path to outright independence. When independence did come, however, it was sooner than even the most optimistic Latvians had expected. It has also left them with a painful legacy affecting all aspects of the national life. At least the Latvians themselves do not underestimate the difficulties they now have to resolve.

6 The three sets of problems, civic, economic and military, are so closely interconnected that they are difficult to rank in order of importance. They all arise from the deliberate Sovietisation of the country's

An additional burden is Latvia's position as headquarters of the North Western Group of ex-Soviet Forces and the massive troop presence still on its territory.

Before the war, ethnic Latvians made up approximately three quarters of the population, with substantial but not threateningly large minorities of other nationalities. Moscow's promotion of Russian settlement, on top of the murders and large-scale deportations of 1940/41 and from 1945 onwards, has by now reduced the percentage of Latvians in their own country to barely 50%. Some think it may already be below this figure. Latvians are in a minority in the country's six largest cities and amount to less than a third of the population even in Riga.

#### PARLIAMENT AND CITIZENSHIP

7 Many Russians here saw (and see) no reason to accommodate themselves to a "Latvianised" Latvia, insisting on their right to immediate citizenship with no regard to recent history, including the appalling heritage of the Stalinist period. One of the biggest problems, therefore, is to find a way of resolving the

/citizenship

██████████

citizenship issue which will allow the Latvians to elect a parliament which they feel is genuinely committed to the survival and development of a distinctively Latvian state. The present government wants to do this in conformity with the human rights obligations they have accepted as signatories to the CSCE and as part of their deepening involvement with international organisations, including the Council of Europe. But this will be one of the most painful and potentially disruptive issues to be tackled in the months ahead.

8 When I first arrived, parliamentary elections were predicted for this autumn. But it quickly became clear that this was not practicable. The citizenship issue aside, there are still no political parties as we recognise them, just a number of factions. The Popular Front, its main objective of independence already achieved, is starting to break up in different directions. The "Satversme" (Constitution) group is probably its most identifiable potential party. But elections are not now expected before Spring 1993 at the earliest.

#### THE ECONOMY

9 On the economic side the problems are equally severe. Before the war Latvia traded freely with many countries in Western Europe. Despite its lack of natural resources it enjoyed a standard of living comparable with countries such as Denmark. The UK was then the largest importer of Latvian agricultural produce and Latvia's increasingly sophisticated industrial manufactures enjoyed relatively free access to Western European markets. Then, with Stalin's seizure of the Baltic States, came forced collectivisation and complete integration into the then Soviet economy. At present about 82% of Latvia's production goes to the former Soviet Union, 7% and 4% to Lithuania and Estonia respectively and only 7% to the rest of the world. Latvia is almost totally dependent on the FSU for energy, raw materials and many of the components essential for its relatively sophisticated, but completely FSU-oriented, manufacturing industry. Reforming the existing system and preparing Latvia in the longer term for closer association with the European Community (with the distant goal of full membership) is a Herculean task. The Latvians cannot hope for Western investment on a significant scale until they have carried out currency reform and moved towards a market economy through a far-reaching programme of privatisation and reform of the existing structures. They are finding this difficult to do with minimal hard currency funds, with a severe shortfall of trained manpower, and defective institutional structures. Western consultants on privatisation have become exasperated by the difficulties of

██████████

/getting

[REDACTED]

getting anything achieved here. The fact is that in the early months of independence the Latvian administration has been running hard even to stay, more or less, in the same place.

#### EX-SOVIET TROOP PRESENCE

10 The (ex) Soviet troop problem is particularly serious. There are 70,000 or more troops in Latvia, in bases all over the country. Talks on the withdrawal of Soviet bases made virtually no headway until 1 February this year, when the Russians did concede that their forces were now located on the territory of another sovereign state and that they must plan for full withdrawal. However, most Latvians believe that whatever Yeltsin may say publicly, Moscow's strategic concerns in the Baltic area must throw the Russians' sincerity into question. The generals, at least, seem determined to hold on to the radar facility at Skrunda, and to the naval installations in the warm water port of Liepaja. The forty thousand retired Soviet army personnel do not want to leave, and the Russians, possibly as an opening gambit, are laying down far reaching and indeed virtually impossible preconditions of "social compensation" for their departing forces.

[REDACTED] The Latvians have welcomed the pressure the Western alliance is putting on the Russians to honour their basic commitment, and hope it can be maintained, especially with inducements to rehouse their forces on Russian soil.

#### UK INTERESTS

11 Where does the UK now stand in Latvia and how should we develop our relations in the coming months? The Latvians were gratified at the speed of our response to their independence. Our recognition of it on 27 August, together with other EC states, was rapidly followed (on 1 September) by the Prime Minister's meeting with the Baltic Prime Ministers in Moscow and by the Minister of State's visit to Riga (as well as to Tallinn and Vilnius) on 4/5 September. A resident Embassy followed within a month and though our cramped and dingy rooms in the Riga Hotel made for almost comically awful Embassy premises for the first four months, we are now enjoying the spacious if temporary facilities of the former Communist Party Central Committee offices - a nice irony. We hope to move into the refurbished Legation building in Alunana street in stages, beginning this summer. The political symbolism of that return means much to the Latvians, and I hope that you, Sir, will be able to cut the tape during a visit to Riga once the work is complete.



~~SECRET~~

12 The Latvians have also greatly welcomed the establishment here of an English Language Resource Centre by the British Council; this is all the more important to them as they see the English language as a natural medium of communication for their newly developing links with all their Baltic neighbours. They prefer it with a British accent. They would like, as I would, to see the meagre flow of British businessmen here increase though admittedly it will be in the medium - if not the long - term before their efforts are likely to bear fruit. They are also keen to draw on our expertise and experience in public administration, finance and privatisation, banking and as many other specialist areas as we are willing to help them with. We have already taken a number of useful initiatives through parliamentary contacts, the Know How Fund, and most recently by developing a greatly appreciated dialogue in the politico-military sphere. A useful spin-off for us should be security cooperation to stem the flow of drugs through the Baltics from the formerly Soviet Central Asian republics. We have removed the one potentially damaging obstacle to good relations by agreeing to return the 42 million pounds sterling worth of Latvian gold deposited with the Bank of England before the Soviet takeover. The bulk of our future economic assistance will be through the PHARE programme of the European Community, but the other exchanges we have already established show how much we can do through personal and official contacts at a relatively low level of expenditure.

13 I hope Ministerial and other official contacts can also be developed further, and that in particular we can before long reinstate our invitation to President Gorbunovs to visit the UK. He is an impressive figure who would enormously appreciate, as would the Latvian people, the welcome he would receive in London. Finally, I hope we will not let preoccupation with the major events further east prevent us from giving more thought and resources to building up our ties with this strategically placed and well disposed country. We can also only benefit from encouraging the Latvians to cooperate more closely with their immediate neighbours and with the countries of the Baltic as a whole.

14 I am copying this despatch to HM Ambassadors in Copenhagen, Helsinki, Moscow, Stockholm, Tallinn, Vilnius and Warsaw.

I am, Sir,  
Yours faithfully

*Richard Samuel*

R C Samuel

~~SECRET~~

British Embassy  
Riga

6 August 1993

The Rt Hon Douglas Hurd CBE MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
LONDON SW1

Sir,

FAREWELL TO LATVIA

1 On 3 August the new Latvian Government under Mr Valdis Birkavs took office in Riga, following the first free elections to have been held in this country since 1932. As I am also leaving Latvia - and the foreign service - at the end of this week, this is a good moment to look back at developments here since the Moscow coup made the recovery of de facto independence possible two years ago. In this farewell despatch I shall also suggest what the next steps in our bilateral relationship might be.

2 There have been great changes since we re-established the British presence in Riga in October 1991, at first with mobile telephone and minimal equipment in the gloomy surroundings of the Riga Hotel. Now we are in temporary offices until we can move back into the refurbished Legation Building from which Stalin had us ejected 52 years ago. I am glad that the decision has finally been taken to complete the redevelopment of this excellent complex, I hope by autumn of next year.

3 The most striking evidence of Latvia's re-emergence as an independent state has been the explosion of its international contacts since we first arrived. After virtual isolation in Soviet times, there are now frequent flights to most nearby European capitals, with a regular London service - sadly not run by a British airline - which began yesterday. Those wishing to telephone abroad are no longer at the mercy of the Moscow telephone exchange. Latvia is a member of the United Nations and numerous other international organisations. It has established or re-established relations with most countries in the world and plays host to eighteen or more Embassies in the capital, now including Belarus and Ukraine as well as the Russian Federation. There have been several state visits, mostly from Nordic countries. Representatives of the IMF, the World Bank, UNDP and other agencies are permanently established in Riga. Indeed,

/Latvia's

██████████

Latvia's membership of the CSCE, the NACC and its aspirations for membership of the Council of Europe have brought challenges to its fledgeling foreign service which are causing considerable strain. Probably most far reaching in its implications is the decision Latvia has taken along with its Baltic neighbours, to seek closer institutional ties with the European Community with the ultimate objective, no doubt at the end of a long and difficult road, of full membership some time early in the next century.

4 Riga as a city has also changed rapidly over the past two years. There are bright shops and instant cafes where there used to be dismal Soviet establishments or nothing at all. The streets are full of Western cars, traffic jams are on the increase and modern petrol stations have opened. Western-style service industries are appearing in many places and what one might call Intourist attitudes are slowly changing as visitors demand more efficient and welcoming treatment. Newly painted trams and hoardings advertise Coca-Cola and other Western consumer products. The Soviet imprint is disappearing with the removal of remaining Communist statuary and Russian road signs, and the re-emergence of many Latvian institutions which were in eclipse during the occupation. The Soviet militia have been replaced by Latvian police, with smart new uniforms, if not yet smart new attitudes. The return of many houses and businesses to their original owners has led to a great revival of building works, especially in the old city centre, which is now beginning to recover some of its pre-war attraction.

5 But most of these changes do not go very deep or extend very far. Much in the countryside and in other major towns shows little sign yet of Riga's transformation. For many people material conditions have hardly improved and for many things are actually worse. Housing standards are still deplorable and social, medical and other services at levels far below those in the poorest EC countries. The gap between the new monied class and the poorest and most disadvantaged in society is getting wider.

6 Indeed, the three major problems facing Latvia which I described in my First Impressions Despatch have not gone away. They are also still interconnected: the unresolved question of when Russian troops will finally leave, the restructuring and reorienting of an economy until recently completely subordinated to wider Soviet requirements, and the problem of integrating the bulk of post-war immigrants in a society transformed and certainly traumatised by determined Sovietisation over the past decades. At least after a long delay compared to their Baltic neighbours, the Latvians now have a properly constituted government recently approved by a Parliament elected under the rules of the pre-war Constitution in a manner regarded by international observers as fair and efficient.



7 While this Parliament does not include representatives of the post-war immigrant community, there is a reasonable balance of opinion within it, with the Equal Rights Party to represent the views of Russian-speaking non-citizens. There is a new slimline Cabinet and reorganised bureaucratic structures which should be more efficient than those of the interim government. The appointment of Guntis Ulmanis as State President, the great-nephew of Latvia's fourth pre-war President, should also help to bring greater stability to Latvian public life. But now there are no excuses: the new Parliament is empowered to tackle, and must now tackle, the whole range of basic constitutional issues, including the exceptionally difficult one of citizenship, and the overhaul of legal and regulatory frameworks which have existed in an unsatisfactory limbo since May 1990.

8 This is not the place for lengthy comment on the citizenship issue. The crucial point is that decisions need to be taken soon which will not just satisfy the international community, but enable Latvia to build up a stable and viable society on far from solid foundations. For all the appalling historical injustices they have suffered, the reality is that the Latvians must find a way of reconciling the reasonable needs of most of the post-war immigrants with their integration, so far as possible, into a distinctively Latvian society.

Our aim should be, I suggest, to encourage them to make a decent and sensible job of it.

9 The linkage Moscow has established between the kind of legislation the Latvian Parliament should enact and the complete withdrawal of their troops is, moreover, completely counterproductive. One can well understand the Russians' concern about their 25 million strong diaspora and their determination (I assume) not to have most of them back.

The pull out which has quietly gone on over the past 18 months has of course made a difference. The number of Russian servicemen has more than halved within a year to around 20,000 now, and they are seen as less of a threat than formerly. But an impasse has now been reached, and everything will now depend on getting the bilateral talks started again and achieving a comprehensive agreement which will have firm withdrawal dates built into it. The new Latvian Government are keen to get back

/to

██████████

to the negotiating table: it remains to be seen if the political will exists on both sides to tackle the outstanding issues. The Latvians themselves do not know, for example, if Russian demands to retain certain installations for up to ten years is a bargaining ploy or something more sinister.

10 The third major area of difficulty, the economy, is also still partly bogged down in the transition from a period of complete dependence on Russian energy supplies, and integration into the pan-Soviet market. The privatisation process in agriculture has been proceeding quite rapidly, with 50-60,000 farms now again in private hands, but they are not always very productive and the sector faces enormous structural, financial and marketing problems. The biggest headache is the future of the former Soviet industrial enterprises. Little over 10% have been privatised and many of the plants, with the Soviet umbilical cord cut, have no future at all. The prospects for the predominantly post-war immigrant workforce are decidedly poor. Overall the economy has contracted sharply since the summer of 1991 and things will get worse before they can get better. Unemployment is certainly destined to rise sharply by the end of 1993.

11 Fortunately there is a political consensus here that the existing reforms should go ahead. The international financial institutions seem to have been impressed by the tenacity with which the Latvian Government have stuck to their reform programme. Trade with the West has sharply increased. Latvia is rightly given credit for its successful de-linking of its currency from the Russian rouble with the interim Latvian rouble now freely interchangeable with the high value Lats. Its convertibility and the successful fight against inflation since the beginning of 1992 is a tribute to tough leadership from the young President of the Bank of Latvia and there is no intention to lose what has already been gained. As to the private financial institutions essential to the revival of the internal economy, there are encouraging signs of activity and ample evidence of a new entrepreneurial spirit in the proliferating small businesses. Interestingly, the most dynamic businessmen seem to be the Russians.

12 How the new government will tackle all these complex issues remains to be seen. A third of the new Parliament comes from the old one, not necessarily a recommendation, but one hopes they will use their previous experience constructively. Several of the new Ministers are impressive, as are many of their permanent officials, though all are hampered by the lack of many of the elements that go into the creation of a professionally-run government machine. This is an area where Latvia needs all the help it can get. It will only become apparent in the next few weeks if the new government has the internal stability, the ideas and the resolution to push through a far reaching programme to

██████████

/address

address all the issues under its direct control. They will not succeed in the longer term unless the relationship with Russia is also successfully managed and new markets for Latvian goods and services are opened up.

13 As to the UK's position in Latvia I still believe that, though we are not major players, there is a lot we can do. The Latvians have particularly warm memories of Britain's role in making their original independence possible. They like us still, and not only for historical reasons: they admire our national qualities and institutions and think we have much to offer them. I only hope that the Foreign and Commonwealth Office in its current financial straits will be able to give the post the resources it needs to be more than purely responsive. Naturally they look first to their Baltic neighbours and to the US, but they hope we can do more, whether through mutually beneficial trade, the Know-How Fund or the work of the British Council. They have also come to value our advice in the development of politico/military thinking and would benefit from more of that too, especially on the training side. They need our support on the troop withdrawal issue. The contribution we can make to the work of the Stockholm Group, not yet of course fully institutionalised, should be another real asset to both sides.

14 We can put more into an already good relationship by encouraging more high level exchanges. A particularly important aim should be to encourage new Latvian Parliamentarians and senior administrators to benefit from our experience. We also need more senior inward visitors to reinforce the messages brought last year by Mr Gummer as then Minister of Agriculture, and in May this year by HRH The Duke of Kent and the mission from the British Overseas Trade Board. Invitations for the new President and Parliamentary Speaker as well as senior ministers to come to the UK will help as much as anything else we can do to strengthen the Latvians' determination to rejoin the Western world and commit themselves to the democratic and other values that languished here for so long.

15 Finally I should like to express my gratitude for all the support I have had over the past couple of years from FCO and Whitehall Departments, neighbouring posts, and above all from the outstanding FCO colleagues I have had with me in Riga itself. It has been an exceptional experience to be involved in Latvia's affairs and to start a new mission in its capital. In European terms this beautiful country cannot aspire to much more than a minor role, but it is worth taking trouble over for its well disposed, industrious people, its fascinating culture and its strategic position in the commercial as well as the military sense. This last I believe really matters if the popular confusion of the Baltics with the Balkans is not to be prophetic. I myself believe it need not be: to prevent it, effort will be needed by the Western community almost as much as by the Latvians themselves.

16 I am copying this despatch to HM Ambassadors in Bonn, Copenhagen, Helsinki, Kiev, Minsk, Moscow, Oslo, Ottawa, Paris, Rome, Stockholm, Tallinn, UKRep Brussels, UKDel NATO, UKMis New York, Vilnius, and Washington.

I am, Sir,  
Yours faithfully

*R C Samuel*

R C Samuel



British Embassy  
Riga

17 January, 1997

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
London

Sir,

**LATVIA: ANNUAL REVIEW FOR 1996**

1. Overall 1996 was a good year for Latvia. The coalition government of Prime Minister Skele proved more cohesive and effective than initially expected. President Ulmanis, an important if doubtful symbol of national unity, was re-elected for a further four year term. For the first time since independence was regained the economy showed genuine signs of growth. But the feel good factor has not yet filtered down to the majority of Latvians. And the major issues, which will decide Latvia's future relations with Russia and the country's prospects for early membership of the EU, remain unresolved.

**The Domestic Political Scene**

2. The five party coalition confounded the many prophets of doom who predicted its early collapse. Rather, Skele won credit for avoiding three political reefs which could have sunk his government: the campaign led by the Fatherland and Freedom party to tauten legislation governing citizenship; the Presidential election; and the resignations of Minister of Finance Kreituss and Vice Prime Minister Ceveris in the autumn. He ended the year stronger than he had begun it. This may have been as much due to a dread of having to repeat an exhausting series of interparty negotiations as to sensible and firm leadership by the Prime Minister. But it also suggested a growing political maturity.
3. Because the reelection of President Ulmanis was by parliamentary rather than popular vote it was not the foregone conclusion his widespread popularity would suggest. His Saimnieks opponent, Speaker Ilga Kreituse, opened the campaign as representative of the (then) largest party in the Saeima. In the event the Kreituse campaign, under the influence of her husband the Minister of Finance, was so inept that Ulmanis won in a canter and without having to make many political deals or concessions.
4. At year's end the Ulmanis/Skele team appear comfortably in control. But the austerity programme is more popular with the IMF and in Brussels than with most Latvians.





Amongst the parties, the centre-left Saimnieks have lost ground following their Presidential election campaign debacle and the right wing Fatherland and Freedom have gained strength. Happily the extremist parties on either wing of the political spectrum have had little impact.

The Economy

5. The Government managed to keep public sector spending under control. The 1996 budget deficit of 30 million lats was significantly less than the predicted shortfall. And the budget debate ended with agreement on a balanced budget for 1997. Inflation fell to 13%, the lowest in the Baltics, and the freely convertible lat, remained stable without difficulty.

6. Crucially for the Government's ambition of making Riga a financial centre there was no repetition of the 1995 Banka Baltija collapse. The single minded Central Bank Governor, Einars Repse, introduced a tougher regulatory regime in April and ten banks, of dubious origin and worth, went out of business. The IMF signalled its approval with enhanced support. The economy began to grow, for the first time in over five years, during the final quarter.

Corruption

7. [Redacted] The Prime Minister personally authorised a contract with the Crown Agents to reduce smuggling and increase state revenue. After a quiet start the 14 strong team of former or seconded British, Swedish and Danish customs officials confiscated over a million litres of smuggled alcohol in November. The Crown Agents report increased co-operation from the police and customs authorities [Redacted]

Defence

8. The National Armed forces have had a poor year [Redacted] The Commander of the Armed Forces, Col Dalbins, was obliged to stand aside whilst the poor morale of the border guards was investigated. After an investigation it was decided to transfer responsibility for them from the MOD to the Ministry of the Interior. [Redacted] An unintended contributory factor to the sense of malaise was the Prime Minister's widely known view that Latvia's security lies in a sound economy leading to early EU membership rather than the military. The inability of the Defence Ministry to put



forward an acceptable and convincing budget requirement persuaded Skele further to this view

9. By contrast to the regular forces the largely volunteer Zemessardze (National Guard) continue to impress outsiders with their high morale and enthusiasm. They enjoy good leadership from their charismatic commander, Colonel Juris Eihmanis. Unfortunately Eihmanis' outspoken criticism of the Minister of Defence and his poor personal relationship with Col Dalbins have undermined his popularity with his political masters. His refusal to obey a Ministerial order to return some small arms bought from Slovakia when some were found to be faulty was only resolved when the President himself intervened and overruled the Minister of Defence's order

Foreign Relations

Russia

10. [Redacted] Negotiations over the disputed border area of Abrene continued throughout the year. To Latvian willingness to cede the disputed territory was added the major concession of no longer insisting that any eventual agreement referred to the 1920 Russian recognition of their independence. Nevertheless an end still seems some way off. The Russians continue to play the negotiations long. Foreign Minister Birkavys makes little secret of his view that the border dispute is unlikely to be resolved without Western intervention, either through pressure on Moscow or reassurance to Latvia by a statement recognising the continuity of the state [Redacted] However a hostile Russian UNGA resolution on the Latvian and Estonian treatment of their ethnic minority was seen off with Western support.

OSCE

11. The Latvians deeply resent the presence of an OSCE mission, which they argue brackets them with the Balkan states and Chechnya. They discount the value of the Mission as a shield against Russian propaganda and seem blind to the poor impression their attitude makes in Western capitals. They resisted to the eleventh hour mandate renewal in June and December and now propose that the mission be withdrawn when its present mandate expires in June 1997. The wish to look good whilst the EU decides on enlargement should prevent an argument over the mandate renewal in June. But an enervating battle of wills is likely in the autumn whichever way the decision goes.

EU/NATO

12. Early membership of the EU remains Latvia's principal foreign policy objective. The Latvians see it both as an economic catalyst and a form of soft security. The



present Government is aware that valuable time was squandered by its predecessors in the introduction of essential economic reforms and parallel legislative harmonisation. Skele has set about vigorously rectifying these failures. But the problem of adequate implementation remains. I am told that the Latvian response to the EU Questionnaire was far more comprehensive and frank than the Commission expected. This favourable impression has been reinforced in meetings with specialist teams from the Commission. But despite the overwhelming support for membership of the EU there is little understanding outside Government circles of what is involved. Nor is there any recognition by the Government of the need to inform the mass of the population. Suggestions that this is a priority are ignored. Our support for eventual membership is warmly welcomed.

13. Although Latvia continues to aspire to eventual NATO membership it accepted calmly US Secretary of Defence Perry's blunt comments in the autumn about the impossibility of early membership. The Prime Minister and Foreign Minister have made little secret that EU membership is the priority. President Ulmanis, however, probably because of his personal experiences under the Soviet regime, still tends to concentrate unhelpfully on early NATO membership.

Latvian attention is now directed towards making the most of enhanced PFP and arguing for public confirmation of eventual NATO membership.

Bilateral Relations

14. The President's Guest of Government visit to Britain in November caused immense pleasure to him and his entourage and reinforced our high standing here. The President referred on his return to the visit having set a yardstick of excellence for future ones. Ulmanis, who is ever alert to a snub, was deeply moved by the attention paid to him by H. M. The Queen and HRH The Prince of Wales. He and his suite were also gratified at the substantive nature of the discussions with you, the Prime Minister, Mr Portillo, Mr Lang and other ministers. They were compared favourably to me with the empty rhetoric and promises of others. Our steadfast support for enlargement of the course goes down well here, but our willingness to share objective analysis of the enlargement process is even more welcome.

15. Before and after the visit there was a steady stream of senior Latvian visitors to Britain on official and private business. These included Foreign Minister Birkavs and Defence Minister Krasins for the WEU summit in Birmingham in May; European Minister Kirsteins for the Conservative Party Conference in autumn (he subsequently shocked a Commission organised seminar by saying how much he had enjoyed the vigorous discussion of EU affairs there) and several other Cabinet Ministers for recreation or language tuition. Sadly, Parliamentary pressures meant that the flow of visitors was almost entirely one way.

Bilateral Trade

16. It was disappointing that a trade mission due to be led by the Transport Minister had to be cancelled at the last moment and that a Ports Trade Mission was postponed, also at short notice. There were however successful trade missions by the



Warwickshire/Coventry Chamber of Commerce and the Wood Processing Association. Exports rose dramatically by approximately 160% and Latvia is now amongst our 100 best markets. We remain the leading investor and the growth in the resident U.K. business community was reflected in the establishment of a local Chamber of Commerce.

Objectives

17. We have achieved the great majority of our objectives. We enjoy close relations with the senior members of the Government and political establishment. There has been a sharp increase in exports, although the trade balance remains negative. We provide valuable training to the police, farming community and, after a slow start, public administration by the KHf. Chevening Scholarships continue to be sought by the best and brightest of young Latvians; a former scholar, Normans Penke, will shortly take up his post as Latvian Ambassador in London.

Prospects for 1997

The economy is set fair with growth of up to 4% forecast and inflation falling to around 10%. But it is doubtful if the benefits of this will filter down to ordinary Latvians. If all goes well on the EU this disappointment should be containable.

19. I am copying this despatch to HM Ambassadors in Tallinn, Vilnius, Helsinki, Stockholm, Copenhagen, Oslo, Moscow, Minsk, Kiev, Bonn and to the U.K. Permanent Representatives to the EU, NATO and OSCE.

I am, Sir,  
Yours faithfully,

*N. R. Jarrold*

N R Jarrold