



Foreword

As this report went to press at the end of 1999, several important achievements could be observed, which augured well for continued improvement in conditions for *sustainable human development* in Latvia. While economic performance declined from high growth rates experienced from 1996 to 1998, the economy demonstrated its ability to absorb the shock of the Russian financial crisis by the diversification of markets and growing integration into the global economy. In spite of political instability which led to the formation of a new coalition government in the middle of the year, the political processes have become more stable, as both the previous and present government focussed on sustaining a dynamic process of reform at all levels and in all sectors of the economy in order to satisfy EU accession criteria. Latvia's foremost foreign policy aspiration was crowned with success with the invitation issued at the Helsinki Summit in December to Latvia to commence direct negotiations about EU accession. The end of the year also witnessed two events of long term significance for the further development of Latvia as an open, integrated and inclusive society: the adoption of a new language law, and the approval by the Cabinet of Ministers of a Conceptual Framework as a basis for a National Integration Programme.

At the same time, very great challenges remain on the agenda for human development: large numbers of people live in poverty, and the gaps are widening, not closing, between rich and poor, between economically dynamic and depressed regions and between dynamic and declining sectors. The transition to the market economy has affected different population groups, economic sectors and regions unevenly. For increasing numbers, and in particular for young, well educated people, standards of living

are improving; however, for many others the transition process has created increased social stress, revealed in deteriorating health indicators, and made risk groups such as children and young people, the unemployed, the poorly educated, the handicapped and others, more vulnerable. It remains the major social policy challenge for the Latvian government, with limited revenues available for social programmes, to devise more comprehensive *strategies for the alleviation of poverty* and to extend and improve *human security* for the majority of its inhabitants.

As Latvia is seeking to overcome the complex Soviet legacy in its transition to a modern, market-based economy, it is faced with a new, perhaps even greater challenge – one that is shared by every country in the world – the challenge of **globalization**. Although this term has dominated the debate about the forces shaping the world's economy in the last few years, there is no single, generally accepted definition of what it means. There is, however, agreement that a number of mutually reinforcing factors are combining to create radically changed conditions for economic, social and technological policy-making: the accelerated advances in information and communications technology, the explosive growth in international trade and investments and the emergence of new technologies from the convergence of biology, medicine and electronics. Globalization is also associated with the notion of the declining state and the emergence of new primary actors, from the individual entrepreneur to the multinational corporations and thus raises questions about who controls, and how to control, the events that are shaping the future, both at the national level and in international governance.

For a country such as Latvia, still in the throes of a dramatic process of societal and cultural trans-

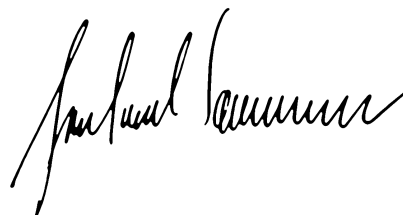
formation, the issues associated with globalization represent both opportunities and risks. It is no longer a simple question of “catching-up” with its neighbours in Northern and Western Europe, by emulating reforms they have undertaken and building institutional capacity in their image, for these countries, as all countries in the world, are themselves transforming rapidly in an increasingly competitive environment to protect themselves from the risks and to benefit from the opportunities offered by globalization. Rather, it is a question of trying to devise strategies and policies today, building on inherent values and resources, with which to meet the risks and opportunities offered by globalization five, ten, and twenty years from now. Few issues can have greater significance for a debate about Latvia’s future development.

It is for this reason that the focus of the **Latvia Human Development Report 1999** is on globalization and its impact on Latvia from the perspective of sustainable human development. This is the first comprehensive review and analysis in Latvia of important dimensions of the challenge of globalization for economic policy-making, for education, science and technological development as well as its implications for the culture and identity of Latvia and its population. While the report offers policy recommendations in many aspects, the primary intention has been to stimulate a much needed debate, throughout society, about the challenges facing Latvia in a world which has become increasingly interdependent, compressed in time and space and with disappearing borders. It is our hope that the report will be used as such, not just by policy-makers and state officials, but by academics, students and civil society organizations.

This is the fifth **Latvia Human Development Report**, sponsored by UNDP, and as such an

achievement in itself. Previous reports have also focussed on important issues of national policy and have, demonstrably, had significant impact, leading to specific reform initiatives and national programmes to address critical issues in human development in Latvia’s transition process. I would like to stress that with each report, the ownership and direction over the process of preparing the report has progressively been taken over by the team of independent national researchers, while UNDP Latvia’s has been able to diminish its role.

I would like to acknowledge, with these words, the editor and contributors to the present report, representing the impressive capacity which today exists in Latvia for independent, quality social policy research based on the concept of sustainable human development as the ultimate goal, and the only valid measure of development. If there is one central “message”, emerging from the policy recommendations put forward in this report, that I would like to highlight, it is that Latvia’s only important resource is its people, and hence that investments in people will be the most effective, and give the greatest return, in meeting the globalization challenge.



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