

**BBC** MONITORING**Latvian** MPs, experts comment on government taking majority stake in bank

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Excerpt from report by **Latvian** newspaper Chas website on 4 December

[Report by Vadim Radionov: "Financial System Requires Dissection"]

The events surrounding **Parex** Bank resemble a twisted thriller. The more it goes on, the more interesting it becomes. The plot is becoming more twisted every day and it seems impossible to foresee the ending. One might get an impression that Prime Minister Ivars Godmanis and other characters in this thriller are writing the plot as it develops.

Financial System Requires Dissection - Thinks Karlis Leiskalns, Head of Saeima Budget Committee

Yesterday, the prime minister admitted to the LNT TV channel that he did not exclude the possibility of closing **Parex** Bank. Nevertheless, according to him, it will happen only if the government agrees on cooperation with the bank's creditors.

**Parex** Bank's previous owners did not succeed in doing it and, as a result, were forced to leave the board, losing any right to buy out their (now former) bank in the future. [passage omitted on parliament meeting to discuss economic situation]

Overture or Aspirin

"The situation surrounding **Parex** Bank is not a thriller, it is an overture," says Karlis Leiskalns (People's Party), head of the Saeima [Parliament] Budget and Finance Committee.

The MP admits that the situation in the country is extremely complicated.

"Some time ago, it was possible to cure the disease in our economy and financial system with the help of aspirin, now, however, it is necessary to perform a brain operation, and nobody knows whether it will help," Leiskalns says.

"In his opinion, the government finds itself in a difficult position: "The government is going down a mountain river and there is new trouble hiding behind every turn. I am convinced now that in order to deal with this difficult situation we need at least five billion euros," Leiskalns believes.

A while ago, by the way, the MP said that **Latvia's** decision to ask for the IMF and EC's [European Commission] financial aid was premature. [passage omitted]

Government Is Unprofessional!

MEP Valdis Dombrovskis, former head of the Finance Ministry, believes that the government is to be blamed for the **Parex** Bank's new problems.

"The government demonstrated how unprofessional it is. At first, the Cabinet of Ministers asked for 51 per cent of **Parex** Bank's shares. A month had not passed when they decided to take control of over 84 per cent of shares. Why could they not do it at the first go? In addition, the government has been trying to hide its activities, which caused mass rumours," Dombrovskis said.

In his opinion, the government did not manage the fighting of the rumours appropriately.

The people who actually spread the rumours on the instability of the financial system were not detained. Instead of detaining them, the police put pressure on a rector and a musician," Dombrovskis added.

Furthermore, the prime minister and his team did not manage to convince the bank's debtors that the situation at the bank was stabilizing, which is why the outflow of capital from **Parex** Bank did not stop.

Will it stop after the government takes 84 per cent of the bank's shares under control?

"It is not excluded that many businessmen and private entrepreneurs will decide to leave **Parex** Bank as they trusted the former bank's managers Valerijs Kargins and Viktors Krasovickis personally," Gatis Kokins, **Parex** Bank's vice president, said to the Baltcom radio station.

The fact that the bank's founders will not be among its shareholders may lead to clients making some decisive steps, e.g. leaving the bank, since a lot depended on good relations with Kargins and Krasovickis. Many people trusted Kargins and Krasovickis personally. I think that some of them, including private entrepreneurs, will now leave the bank. For this reason, it is not clear whom to trust. As the new manager of the bank is not yet known, the responsibility is not known," said the **Parex** Bank vice president.

Instead of Epilogue

Experts do not rule out the possibility that various political forces will try to use the situation surrounding **Parex**. The European Parliament elections are coming up and local authorities are not likely to resist the temptation to use this dramatic situation for their PR.

Source: Chas website, Riga, in Russian 4 Dec 08

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