



Latvian paper slams finance minister for statements on ratings agencies

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Text of report by Latvian newspaper Dienas Bizness on 12 November

Finance Minister Atis Slakteris has announced with some certainty that various credit rating agencies in the world have become a source of information that is not too consistent or responsible. It almost goes without saying that this announcement was made more or less simultaneously with the decision of the three leading rating agencies - **Moody's**, Standard & Poor's and Fitch -- once again to lower Latvia's ratings. (Our country is not the only one which has become a whipping boy in this regard.)

This, in turn, happened more or less simultaneously with reports about a radical decline in GDP in our country, as well as about the government's decision to buy 51% of shares in the **Parex** Bank for two lats, thus essentially nationalizing Latvia's second largest bank. This pronouncement by the minister must be viewed rather ambiguously. To be sure, when decisions were taken on the infamous matter of the **Parex** Bank, the last thing which the government of Ivars Godmanis should have considered was the view of various agencies, funds, organizations or associations, as well as the thoughts of the government opposition. If the step was the only way to save the bank from bankruptcy, then it had to be taken -- not so as to improve the well-being of the bank's two owners, but rather to save the rest of the Latvian financial system from disaster.

True, concern is created by the fact that there is still no clear sense of the terms under which a controlling share in the bank was taken over. Neither can we be certain that the deposits of non-residents will not flow out of the bank at a rate that the state will be forced to "pump" ever greater sums of money into the institution.

Minister's Statement

But at the same time, suggesting that the conclusions of the aforementioned credit rating agencies should not be taken seriously -- that is quite irresponsible. We need to keep in mind that these ratings have a great deal to do with how cheap, expensive, accessible or inaccessible credit resources are for our country and its businesspeople. That is particularly important at a time when the interbank lending network, according to experts, has shut down entirely. That, in turn, means a very substantial lack of availability in terms of credit resources. We might also wonder whether international financial syndicates which think about the expense of resources that are to be awarded to Latvia will ignore the data and base their thinking only on information which comes from our Finance Ministry.

It is understandable that given the economic situation which prevails in Latvia at this time, the responsible government officials are trying to calm people down, but when that is done, the arguments must be objective. Slakteris' claim is reminiscent to a certain extent of the thinking of a small child -- that demands made by parents are laughable and pointless in a situation when they must be respected in any event.

Source: Dienas Bizness, Riga, in Latvian 12 Nov 08

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