

## **The Unfinished Revolution III – forming a Government**

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Just as suddenly as announcing the potential coalition with the SC ten days earlier, which could only be dissolved by "tanks," the ZRP on October 11th changed course again, this time announcing an agreement to form a coalition with V and the NA. Since V does not want to form a coalition with the SC, explained the ZRP, the party would have to form a coalition with the ZZS, a red line for the ZRP. For its part SC announced it would not participate in a coalition without the ZRP. This gave Zatlers only one option, a coalition with V and the NA.

The previous week was marked by all sorts of attempts to form coalitions: the so-called "rainbow" coalition, which would include all parties represented in the Saeima; 2+2, V and ZRP forming a minority government with cooperation agreements with SC and the NA; a "national unification" coalition including V + ZRP + SC + NA; and the "justice" coalition with V + ZRP + NA. The result was uncertainty, confusion and political impasse, basically running on the spot. This kind of public debate had been common during the Soviet era. A broad coalition including just about everybody is also a way of avoiding responsibility i.e. the whole coalition is supposedly responsible but to hold a minister or party accountable is almost impossible because there is no opposition to demand it.

The coalition for Justice (V + ZRP + NA) signed an agreement called the Reform and the Rule of the Coalition and establishment of a government. The agreement supports equally all proposed reforms, reduces the role of money in politics, consolidates Latvia's parliamentary representative democracy, communicates with the public and prevents extremism. The addendum lists common values and a work plan: economic and political reforms, new tax, industrial and employment policies. The agreement is akin to Canada's Speech from the Throne or the U.S. State of the Union government message stating what a government hopes to achieve before the next election.

By October 14th the coalition decided on responsibilities. The ZRP will have Foreign Affairs, VARAM (Regional Development), Economics, Education and Science (MES), Interior, and Culture. The social integration function will be taken over by the Ministry of Education. The ZRP will provide the Saeima speaker. V will be responsible for Finance, Welfare, Defence, Agriculture and Health, as well as the Prime Minister's office. The Minister of Transport will be impartial; political responsibility will be shared jointly by ZRP and V. NA will be responsible for Justice, Culture (retaining the national identity policies function). NA will also get VARAM and Ministry of Health parliamentary secretaries. The parties also agreed to establish a civics education subcommittee in the Culture and Science Committee chaired by the NA, and rename and create a Social Cohesion

commission managed by a NA representative. The agreement on the Reform and the Rule of the Coalition content is unquestionable and will serve as the basis of the Government Declaration to be written during the weekend.

The Coalition had adopted a number of novel approaches to governance. Positions and Ministries were divided after an agreement on the future direction the country and reforms expected by the next election all described in the party agreement and the proposed Government Declaration. For the first time ministries were to be horizontally integrated replacing the usual vertical or silo structure, each minister ruling a ministry as it were his party's private property. It was to be a government playing to each party's strengths: V political experience, successful economic recovery policy, the public's confidence in Valdis Dombrovskis, and a choice of capable MP's. The ZRP in the end was forced to admit their political innocence that they had bitten off too much in their first attempt to form a coalition. However, the innovations in the new government to a large extent were ZRP inspired. It offered a sufficient number of capable MP's to ensure the existence of the Justice Coalition. The role of the NA in the coalition is to protect and develop the Latvian national language and positions in government. This will help the party develop their goals within the framework of democracy and to formulate their thoughts in a legal framework, giving practical experience in politics and leaving emotional sloganeering and ill-considered action in the past. Ministry of Transportation's intention to name an impartial expert as minister shows the difficulties the ministry is in. It is large, complicated, profitable, and therefore corrupt, responsible for traffic regulation (water, land and air), communications (telephone, radio and TV licensing among other responsibilities. Its expenditures are large and are traditionally associated with the oligarchs' interests. To clean and reorganize the ministry requires strong, knowledgeable leadership. In addition, it is responsible for the rescue and restoration AirBaltic.

SC was not enthusiastic about the formation of this coalition. It had largely departed from its election promises, deceived its voters, and made every effort to get into power without success. SC arguments why it should be in government are numerical, ethnic and legal. Numerically, the party "won" the election, which rarely happens in proportional electoral systems. It became the largest party, but nothing more. The SC should be in power because it represents "Russian-speaking" Latvians; otherwise the government discriminates against the Russian minority. The SC defends Russian rights, which it does not name. With these arguments SC urged its supporters to write President Berzins to not approve the current coalition. Latvia's Russian-language media wanted Berzins to stop ethnic discrimination in coalition-building and to have the courage to announce that all Latvian citizens have equal rights. The media also referred to the SC "victory" in elections as a reason to include SC in government. However, the state guarantees an equal right to form the government but cannot guarantee participation in it. SC being the largest party

did not take the initiative in coalition building and waited passively for it to be included. In practice, the largest party does not automatically constitute the government. In Denmark's recent election the largest party remained in opposition. Instead, the second largest party was able to build a coalition.

What is likely to be SC future? Ušikova and Urbanoviča leadership will be challenged. In two elections they were unable to gain power. SC voters may split into radicals and integrators. PCTVL and Rubik's Socialist Party together could regain representation in parliament, and the democratic elements of SC engage in other existing parties or create their own. Large scale street demonstrations are possible, but unlikely.

The oligarch's influence seems suspended but not destroyed. A coalition with SC was an attempt to hold on to power and almost succeeded. Their appointees still occupy responsible positions, and recently KNAB exposed the real owners of the newspaper Diena - Lembergs, Šķēle and Šlesers, who will continue to control a substantial part of the media. Municipal councils are still controlled by LLP, Tautas and ZZS parties. Unknown coalition members may still appear and defend the oligarch's interests.

Regionally, the new coalition is assessed in different ways. The West is generally satisfied with the outcome; it is predictable and the coalition supports the World Bank and IMF loans. The European Commission Commissioner has already welcomed Dombrovskis as Latvia's next Prime Minister. Some Western NGOs still see Latvia through an ethnic lens and express concern about possible ethnic unrest and regret what they see as a missed opportunity to consolidate Latvian society. Russia has expressed its disappointment. The Russian 2012 presidential election will no doubt again cough up Putin as president. A SC government in Latvia and Putin in Russia would be a dangerous combination for Latvia's future. We can expect the continuation of Russia's Diaspora policy and attempts to pull Latvia deeper into Russia's sphere of influence.

Sunday evening, October 16th, six members of ZRP announced their withdrawal from the party thus reducing the coalition to fifty members. K. Olšteins, the splinter group leader, demanded the ministerial candidates for Interior and Transport be replaced. Most likely behind the six ZRP MPs are economic groups, whose interests were not met regarding spheres of influence and redistribution of lucrative posts by the future government.

What looked settled and agreed on Saturday was turned upside down for the first meeting of the 11th Parliament by Monday. Government formation difficulties continued and in an uncertain direction. The next week will be decisive, will the new government control the moneyed interests or will they once again be in power. The oligarchs are not dead yet.