CHAPTER - V

CONCLUSION
The failed communist coup in August 1991 provided an opportunity for the construction of a liberal democracy in Russia. The opportunity was wasted.

Though in transforming the Soviet political system Yeltsin took the dramatic step of banning the Communist Party of Soviet Union and even the dissolution of the Union, she did not take essential steps necessary for the development of key institutions. He refrained from holding a post-communist founding election, he did not push for the ratification of a new constitution, he refused to create his own political party as a way to institutionalize support for his reforms in society.

Eager to avoid what was perceived as Mikhail Gorbachev’s mistake of putting politics before economics, Yeltsin’s team concentrated its energies on dismantling the soviet command economy and creating a new Russian market system. As sources indicate, many in Yeltsin’s government believed that economic transformation was a precondition for democracy.

The absence of decisions about Russian political institutions fueled ambiguity statement and conflict between the federal and sub-national units of the state and then more saliently between the president and the Congress of Peoples’ republics. With no formal or even informal institutions to structure the relations between the two, polarization ensued.

Ironically, the assault on the parliament was followed by call for immediate elections for a new parliament and a referendum for the adoption of a new constitution. Russia was to be governed by a new set of formal rules, which would organize its politics.

By constitutional design Russian political system is best understood as a super presidential system that provides for an extraordinarily strong president and a relatively weak legislature. The acceptance of these rules by the majority of the population and by all the strategic actors reflects the successful campaign of the liberal politicians and intellectuals for an overweening executive power.

As M. Steven Fish points out in his book “Democracy from Scratch : Opposition and Regime in the New Russian Revolution,” that the central conflict in national politics in Russia was between a relatively reformist president and a conservative holdover
legislature. Thus the main protagonists of liberal democracy felt that it was necessary to empower the branch that was occupied by the more reform minded leadership.

The public endorsement of Yeltsin's constitution stemmed mainly, as Fish adds, from firstly, a longing to be rid of the stalemate between the president and the parliament that had polarized politics and paralyzed government: secondly the perception that a highly authoritative executive was necessary for guarding great power status in international politics and escaping economic and social quandaries.

As it turned out this super presidential system provided an institutional basis for corruption since most powers of control and expenditure of state resources was lodged in the executive branch with scant oversight by the legislature. Lack of legislative scrutiny casts a severe doubt of corruption over the privatization deals of government.

Transparency International, an international agency that monitors corruption ranks Russia as one of the six most corrupt countries of the world in which to do business.

As the American political experience shows, legislative oversight and control reduce the opportunities for and raise the risks of engaging in corrupt practices. The absence of effective legislative scrutiny and American-style checks and balances could have been offset by other organizations like political parties. The British political system lacks division of powers but party leaders concerned with their organizations' reputation among voters, often monitor and discipline their own members including parliamentarians.

However, parties in Russia have not attained that stage of development primarily because the incentives to build parties depend on the power of the legislature.

Typically, therefore parliamentary weakness limits incentives for politicians to build and invest in political parties, thereby stunting transition to liberal democratic political system.

The Russian political system since 1991 has been built around one individual: Boris Yeltsin. It was Yeltsin who decided to dismantle the Soviet Union in-order to deprive his arch rival, Soviet president Mikhail Gorbachev of a power base. It was Yeltsin
who appointed the government that launched launched Russia on the path of market reform in November 1991. And it was Yeltsin who dismissed the Soviet-era parliament, the Supreme Soviet, in Sept 1993, and wrote a new constitution creating a presidential republic.

The 1993 constitution created a lopsided political system in which tremendous authority rests in the hands of the president, while the government and Duma are deprived of real power. In practice, the Duma has almost no influence over the composition of the government. The president nominates the prime minister and if parliament rejects the nominee in three successive votes, the president can dissolve the parliament and call fresh elections. The president is directly responsible for the appointment of law and order ministers and has a decisive say over the appointment of all other individual ministers.

The constitutional design was kept so by intention. It must be noted that certain key elements of the Soviet nomenklatura decided to embrace capitalism between 1988 and 1992 and used the privatization programme to secure their control of industrial assets in the new market economy.

Communist, says Jerry Hough in his book “Democratization and Revolution in the USSR, 1985-91”, became capitalist in 1991 not because of a conversion but because capitalism offered a way to legitimate personal gain.

The old nomenklatura were joined by a small number of new, upwardly mobile young oligarchs most of whom had close ties to the old Soviet elite.

The winners from the transition to market democracy are vastly outnumbered by the losers - the non-elitist population. Although the new democratic system gives the losers a chance to register their discontent, it has not provided them with the institutional opportunity to exert any influence over people who wield real political and economic power. Counter elites who could potentially challenge the new Russian oligarchy—the communist party, army officers—were discredited by the collapse of the Soviet system and are yet to formulate a political philosophy capable of mobilizing the discontented for a successful assault on the entrenched elite. According to Russian political analysts Yeltsin constructed an elective monarchy. His style of rule was that of a monarch but his source of legitimacy was public relations.
Russia has completed its transition to an electoral democracy and not to a liberal democracy. Elections are only one component of a fully consolidated democracy. Policy makers have neglected the other components of liberal democracy like a balanced separation of powers between the executive and legislative branches of government as well as between central and regional governments; a structured party system; a vibrant civil society and the rule of law.

Russian political analysts contend that the kind of elective autocracy which Yeltsin foisted in Russia leads to worst of both worlds: the instability of periodic elections and the inflexibility of autocratic rule.

The market institutions were also not clearly established. The micro-economic roots were ill-defined: lack of institutions for upholding property rights, clarifying and enforcing these rights were absent.

In 1992, the Russian Government launched an ambitious and comprehensive programme to privatize most of the economy. In 1994, the Russian government as well as the western contractors of the privatization effort held that more than 100,000 enterprises had been privatized.

In his book “Privatization, Conversion and Enterprise Reform”, Michael McFaul points out that while speedy the privatization programme did not produce effective owners. In most large enterprises the study notes directors in co-operation with the trade Union officials loyal to them gained a controlling share. At the time of privatization, the vast majority of these enterprises subtracted rather than added value to the economy. Directors are not accountable to outside shareholders interested in profit maximization so they could avoid restructuring, product improvement and efficiency enhancements. Through complex arbitrage schemes, the withholding of wages and the use of parasitic offshore companies, these directors could amass individual wealth while their companies continue to operate in red.

Under market conditions, these companies would be found into bankruptcy, their assets would be reorganized and auctioned, and either management would be professionalised or enterprises would be shut down. Instead in Russia, the state has allowed to subsidize ailing companies, initially through direct transfers and by permitting companies not to pay taxes. Moreover, the lack of transparency of the
privatization programme coupled with the absence of regulators has drawn considerable flak. This has often led to information war by rival financial-industrial groups in the media about corruption in financial deals. A typical case was the divestment of government equity in the telecom monopoly Svyazinvest. The government sold 25 per cent of its equity in the telecom monopoly in July 1997 for $1.9 billion to a consortium assembled by Oneksimbank and financed largely by funds controlled by international financier George Soros. In August 1997 Oneksimbank also won control of the lucrative Norsk Nickel Enterprise. Rival Bankers led by Berezovsky launched a smear campaign through newspapers and television channels they controlled.

The bankers' war by revealing tales of secret meetings and large advances in return for nonexistent books severely damaged the reformers and produced a stream of casualties in the government ranks.

Privatization programmes in state monopolies are undertaken with the general policy understanding of unlocking state subsidies from enterprises and ploughing them back in social sector programmes. However in Russia there is little indication on this front.

Rather, while well connected oligarchs continued to be subsidized, the government spending on public health has shrunk to a mere 1.6 per cent of the federal budget. In the OECD countries, which include the major capitalist economics, spending on health care averages 7 to 8 per cent of GDP. In the United States, the figure is currently 14 per cent. Thus what was once known as Russia's safety net has shrunk to a significant degree and the constitution's explicit guarantee of the medical care has been ignored.

One of the troubling deficiencies in Russia, comments David Remnick, is the absence of moral authority. The country lacks the kind of ethical compass which was visible during Gorbachev's reform movement.

"The quality of democracy depends heavily on the quality of democrats. There has to be an accumulation of a critical mass of people with democratic principles" he comments. Clearly the critical mass has not accrued in Russia. Yeltsin seemed a nascent democratic state with many features of oligarchy and authoritarianism.
Yeltsin’s capitulation to US policy imperatives diminished Russia to the role of a subordinate ally in the American dominated global security system.

Though Russia’s failure to react is attributed to economic dependence on the west, in particular the US administration’s threat to note against IMF lending, sources indicate that Russian pliability on crucial pliability was bought cheap.

Prime Facie the main components of US aid seems to have been driven by two imperatives.

- Securitising Russia’s defence system
- Helping transition to market economy

In keeping with the first imperative, the US brokered agreement between Russia, Ukraine, Belarus and Kazakhstan. As per the Lisbon Protocol signed in May 1992, Ukraine, Belarus, Kazakhstan agreed to assume non-nuclear weapon status and remove all nuclear weapons to Russia.

The co-operative Threat Reduction better known as Nun-Lungar programme after its legislative authors drew up a package to assist in creating new scientific research opportunities for former Soviet nuclear weapons specialists. It also provided technical assistance and funding to assist in transportation of strong fissionable material especially plutonium.

In the aftermath of the collapse of the USSR, the Bush administration had convened a coordinating conference on assistance to the newly independent states to help them in making a transition to market economy. The US not only sought to take a leadership role in the initiative but also to submerge its own modest aid in a broader package.

In April 1992, a $24 billion aid was drawn up by G-7, the US share of the package was approximately $6.66. The support pack was an amalgam of various kinds of economic assistance with nearly half of it previously pledged to the Soviet Union and over half in new repayable short term loans, deferral of debt interest payments and credit guarantees to western enterprises. In April 1993, the G7 came up with another catchall package of $28.4 billion of which the US share was a pledge of $2.5 billion.
The US share of international economic assistance in the first five years after the USSR's dissolution was not in any way commensurate with the American economic strength. Of all Western economic aid in 1991 and 1992, the US share was only about 10 per cent (roughly $2 billion) in contrast to Germany's 60 per cent (about $12 billion). The only notable fact was the enactment of the Freedom Support Act 1992, which authorized a long planned $12 billion contribution to the IMF and $1.2 billion in new bilateral assistance to Russia, mainly through credit and loan guarantees by the Overseas Private Investment Corporation, The Export-Import Bank and the US Department of Agriculture.

The Clinton administration carried forward the economic assistance program but assistance appropriations dropped drastically. In 1995, it stood at $850 million and in 1996 it was further downgraded to $640 million. (In 1996 the IMF came up with a third package of $10 billion to give a boost to Yeltsin's reelection bid; the US appropriations was not passed until after the election.

In return, the giveaways have been substantial and marked the marginalisation of Russia in international affairs.

- In January 1993, President Bush succeeded in concluding a second Strategic Arms Reduction Treaty (STAR II) with Yeltsin.

- In January 1994, at Moscow summit Clinton and Yeltsin agreed to a detargetting of missiles on alert aimed at their two countries.


- Inclusion of Russia in NATO's partnership for peace plan, and placement of Russian troops for participation in the NATO led peacekeeping operation in Bosnia.

- In principle agreement for deeper cuts in nuclear weapons, after US senate ratified START II in 1997.

- Acceptance of NATO expansion eastwards in return for a belated redressal by way of Russia - NATO founding Act.
NATO enlargement is viewed by the Clinton administration of reconfirming American leadership in Europe, consolidation in central European states, (most eager aspirants for incorporation in the West) and possible extension of influence in Russia's backyard notably Ukraine and the Baltic states. Assistant Secretary of State, Strobe Talbott has spoken of NATO expansion to Baltic States and building of Ukraine as buffer against Russia. (Ukraine is increasingly competing with Russia for US aid).

The Yeltsin regime had shown little signs of challenging US expansion rather it demonstrated unwillingness to challenge even when given the opportunity.

Analysts point out to the Kosovo crisis, whereby Russia used its diplomatic influence over Yugoslav President Slobodan Milosevic to convince him that internationally he had no choice but to surrender.

A determined nationalist regime would have encouraged Milosevic to fight on, which would have forced NATO to accept a compromise or launch a ground offensive that would have widened existing splits in the alliance, analysts contend.

Further, emboldened by Russia's inability to resolve the separatist crisis in its own territory- Chechenya, CIS republics have been encouraged to look towards NATO rather than Russia as the peace keeper. Azerbaijan, Georgia and Moldova have suggested NATO's role in Kosovo as a possible model for NATO intervention in their own disputes with separatist regions.

This trend is openly acknowledged and has been made explicit by US sponsorship of GUAM consultative group. Comprising Georgia, Ukraine, Azerbaijan and Moldova which informally links the members of the CIS whose interest are most opposed to Russia. Infact observers assert that GUAM is intended to function as a kind of a counter – CIS organisation.

The US is also openly working on a rollback of Russian influence in the Trans Caucasus and Central Asia. The region is emerging as an important theater of American interest based on the expectation that it will become a major producer of oil in the coming years. However, analysts say oil potentiality is not the sole reason for American engagement. US has consistently supported an increased Turkish influence
in the region to offset the danger of what it perceives the spread of Sunni Islamic radicalism from the middle-east countries and the influence of Shiite Iran.

Clearly, Clinton administration has adopted a version albeit modified of the programme advocated by Henry Kissinger, Zbigniew Brzezinski and others of containing and isolating Russia by creating a ring of buffer states.

Predictably then, Yeltsin's departure from Russia's politics was greeted with relief. The promise of democracy had been belied. Institutionalisation of personal power had superseded the rules of democratic governance. The monopoly of state economy was restructured for the monopoly of the big Financial and Industrial groups. Russia's military had been humbled, troubled by shortages and cuts in defence expenditure. What could have been a historical leadership turned out to be a disreputable innings.