CHAPTER-III

THE BUILDER
The construction of Russia into a democracy or the second Russian Revolution as it has come to be known faced an awesome challenge. The development of a new pluralistic political society in a country that had only known totalitarianism and one party rule, to build a market economy out of command economy and to adapt to the loss of power over a vast space that took centuries in the making, was the task which faced the inheritors of the post Soviet Russian state.

Yeltsin administration was not organised to govern and it quickly sought to build up its ministries and its staff. Gorbachev’s decision had undermined the old system but he had been unable to develop a replacement. Yeltsin brought to the task that something Gorbachev did not have. Gorbachev was a lawyer by training, and he thought that he could review the system by introducing law and legality into it. But the system could not be reformed. By contrast, Yeltsin was literally a builder. That was a basic point of reference for him through his life and the skills of a builder would be needed in constructing a new state and a new system.¹

When he looked back on the decade he had spend as party leader in Sverdlovsk, what he was most proud of was a 220 mile road, he had commanded into existence, linking two parts of that province through very difficult terrain.²

After the August coup, Yeltsin appointed a young economist Yegor Gaidar as prime minister. Gaidar’s government launched a radical drive to dismantle the command economy and move to the market as fast as possible. The reform packet included price liberalisation, drastic cuts in government spending and introduction of new taxes to wipe out the budget deficit and stabilize the ruble. The measure would restore value to the ruble, clearing the way for privatization, foreign credits and convertibility of the currency. Restoring value to the ruble would fuel basic market mechanism setting the Russian economy on basic market rails.³

² Ibid, P-110-115
Even though Yeltsin staked much of his political capital on Gaidar’s scheme, it came under considerable attack ranging from the Russian vice-president Alexander Rutskoi to Grigory Yavlinsky, the author of several previous radical plans for economic change. They asserted that the plan was unnecessarily harsh, and perhaps futile.4

Yavlinsky argued that without preparatory mechanisms in place—without a budget, without privatization—the price increases will have little more effect than those tried by Mikhail S. Gorbachev’s government in April—whose only effect was to increase prices.

Commenting on the price liberalization, Russian economists pointed out “This is not price liberalization but simply the decentralization of price setting. There is no orientation of market forces, there is no federal reserve system, no way to gauge the money mass”5

With the expectation that many people will be pushed below the poverty line, economists argued people will force the government to raise wages, setting off a rapid inflationary spiral.

“Thus except for price increase itself, little can be expected” concluded a critique from Yavlinsky’s institute, Epicenter. “In the conditions prevalent a further dollarization and barterization of the economy is inevitable among republics and within Russia. The ruble will be squeezed out even faster by hard currencies“, it added.”6

Russia, skeptics noted, has not Poland. The economic plan called “shock therapy” worked in Poland because most agriculture and services were in private hands, just waiting for stable currency to plunge into the market. The economy of Russia was by contrast largely state owned monopoly and military related.”7

The legal and institutional bases for a market did not exist; the basic logistics of the economy had been disrupted by the breakup of the Union and Russia did not have

4 Ibid, pp-A8
5 Ibid.
6 Ibid.
control over its own currency, since Ukraine and other former republics could also print rubles.  

Gaidar acknowledged two constraining factors the limited reserves of food and the huge mass of existing rubles. 

Thus Yeltsin’s plan of taking off the lid of the economy by freeing most prices and leaving price decisions to the administrator of each store was embedded in turmoil. Anticipating the inflationary trend the Russian government predicted that prices could triple but explained that prices had been artificially low for years under strict Soviet control, and had little relation to supply or demand or production costs. 

Despite the support of the president, Gaidar was not strong enough to carry out his programme in full. He decontrolled many prices but he could not free all of them. He could not break up the monopolies nor could he restrict their access to cheap credits and subsidies. But Gaidar did succeed in decapitating the command economy with stunning effects. The Gaidar programme applied to an economy already weakened by six years of uncertain reforms and the simultaneous collapse of the Soviet economic space i.e., the integrated economy of the fifteen republics, threw the economy into a seizure. Investment dropped by half, industrial production plummeted, high inflation took over, people’s savings were wiped out, popular resistance and anger quickly mounted. 

The first rumblings began from the people who lionized Yeltsin- the Siberian miners of Kuznets basin. The miners who were among the vanguard workers in establishing the Soviet state in 1917 had turned in favour of democratic reforms and were instrumental in changing the pitch of perestroika. Commentators felt that the process of decentralization of political power and economic decision making would be judged by how well it worked in the coalfields of Siberia. Ever since Yeltsin was elected president of the Russian

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Federation, he had nurtured the miners and they were now willing to give him at the most a year.\textsuperscript{11}

Meanwhile the Central Intelligence Agency (CIA) at the behest of Bush administration came out with a report which revealed that economic collapse could prompt experts with the know how for making nuclear weapons to sell their services abroad. The report ordered by CIA director Robert M Gates noted that 900,000 military officials and civilians work in the nuclear community from blue collar workers running lathes for nuclear weapons and academicians with theoretical knowledge about the state of nuclear materials to military personnel responsible for deploying and maintaining nuclear weapons.\textsuperscript{12}

The report estimated that as many as 2,000 people in the former Soviet Union had an intimate knowledge of nuclear weapons design and 3,000 to 5,000 people have worked in uranium enrichment or plutonium production.\textsuperscript{13}

In the face of much ominous portents, by May, 1992 Yeltsin was forced to back away from the more radical elements of shock therapy. The government rushed to the rescue of heavy industry with subsidies and cheap credits. It managed to avert a tidal wave of plant closures and unemployment, but at the cost of even higher deficits and more inflation.

The politicians and industrial managers who had emerged out of the communist system and who were still the backbone of the economy regarded Gaidar and his associates with disdain, dismissing them as Alexander Rutskoi, Yeltsin’s then vice president, put it, “these kids in pink shorts” \textsuperscript{14}

As it turned out, free market economics was more than policy. Prof. Jeffrey Sach of Havard University, Russian government’s chief foreign tutor in free market economics pointed out that success of price rises and free market innovations depended on Russian

\textsuperscript{12} The New York Times, January 1, 1992, p A-1
\textsuperscript{13} Ibid, p-A-3
\textsuperscript{14} Yergin, Daniel- p -105
parliament’s control of national budget, and raising necessary taxes. He criticized the central Bank which under the control of Parliament continued its old credit system.\(^{15}\)

Internal dynamics apart, Russia needed western engagement in its economy to effect a turnaround. In February 1992, the Camp David meet of president George Bush and Yeltsin promised to begin a new era of friendship and partnership.

However, beyond promises and expressions of co-operation, tangibles still seemed elusive.\(^{16}\)

The ambivalence in western reaction was guided by the feet dragging on harsh measures relating to budget deficit, inflation rate and credit system. Restructuring of the fiscal and monetary policy was crucial for the entry of Russia to international Monetary Fund and world Bank.

Humanitarian aid, however, by Conference of western nations continued to Russia.

The main logjam for Russia to obtain the IMF membership was the Central Bank’s resistance to shrink credit. It stated that if the Bank failed to provide finance for farm sector, economy would go for a tail spin. Finally in April 1992, overcoming resistance, Gaidar enforced the economic reform plan in the financial sector by stringent measures to control inflation rate and budget deficit by controlling the supply side of monetary policy, by reducing subsidy and reordering credit policy. The measures got Russia the IMF membership and paved the way for $4 billion in aid.

To enforce the policy package of economic reform Yeltsin eased Gaidar from the ministry of finance and appointed Vasily V Barchuk. Gaidar was instead, given the brief to focus attention on strategic reforms that were essential for the success of the multi billion dollar package.\(^{17}\)

The policy initiatives also had the impact of sending right signals to the industrialized nations of the world grouping – G-7.

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\(^{16}\) Ibid.

\(^{17}\) “Special Report: Can Russia escape its past?” Time Dec. 7, 1992, pp-34-65
The G-7 announced a $24 billion package with contribution of US to be to the tune of $4.56 billion. Meanwhile, rising opposition from the parliament forced Yeltsin to distance himself from the radical reformers and yet just before his US visit in June 1992, he issued decrees by which failing state enterprises would buy land. Predictably the US government authorized aid package to be funneled to international lending agencies for interest bearing loans to Russia.\textsuperscript{18}

It was typical of Yeltsin, offsetting opposition at home and leveraging his democratic stature and intertwining the success of democracy with his survival abroad.

Commenting on the nature of political formation, Soviet dissident leader Vladimir Bukovsky wrote on Russia's future: "the dissidents long term strategy of moral resistance contributed to the velvet nature of the anti-Communist revolution. However, the inability of the dissidents to organize opposition politically is responsible to a great extent for the messy transition."\textsuperscript{19}

In his reaction to Yeltsin’s team, Bukovsky noted, that magnificent throughout attempted coup in August, it disintegrated as a result of victory. He further went on to add that Yeltsin was unprepared to take power and overstretched his human resources in trying to replace central structures and position with his own people.\textsuperscript{20}

Besides economy, there were two agendas which preoccupied Yeltsin were military restructuring and ethnic tensions due to border restructuring. The first flash point in military affairs was in Ukraine over the control over Black sea fleet. The Black sea fleet was one of the most valuable assets of disintegrating Soviet military. The fleet was also the core of the Russian imperial navy. The quarrel between Russia and Ukraine over Black sea fleet is really about Crimean peninsula and about its navy town Sevastopol. Ukraine’s claim to the fleet is territorial since Crimea has been part of Ukraine since 1954. Russia’s claim is historical –70 per cent of the city’s population is Russian.\textsuperscript{21}

\textsuperscript{18} The New York Times. April, 2, 1992, p A2
\textsuperscript{19} Ibid, January 12, 1992, p-A2
\textsuperscript{20} Ibid.
\textsuperscript{21} Ibid, Mar 23-24, 1995
In order to inherit the military apparatus Yeltsin ordered the creation of Ministry of Defense and assumed headship of it. The decision followed repeated failures within the CIS to resolve the fate of former Soviet armed forces. The move gave Yeltsin better bargaining advantage and opened possibilities of Russia keeping unified command. Russia was also to obtain battlefield nuclear weapons deployed in the former republics. Military asset contentions posed irritants in the transfer. Finally in August, 1992, agreement was hammered out on the Black sea fleet. It was to be under the joint command of both Russia and Ukraine till 1995 after which the two countries would decide on the permanent divisions of the field. 22

Meanwhile, border restructuring opened the flood gates of ethnic tensions. Ossetians, Georgians, Abkhazians, Dagestanis, Azeris, Americans, Tartars, Tajiks, Russians, Ukrainians all staked conflicting claims. The Russian Federation which was composed of 20 sub-divisions was not free from ethnic flare up. Eighteen sub-divisions signed the federal treaty that was to form the basic of post Soviet state. Chechen–Ingush and Tatar republics did not sign the treaty. Though Tatarstan relented later, Chechen resistance continued taking the form of a fierce war later. 23

However Yeltsin's achilles heel proved to be the state of the economy and it provided a convenient springboard for maneuvering, power struggles and intrigue. Swinging from conciliation to threats Yeltsin, sought to rein in the conservatives in the Congress. The episodes resulted in the removal of Gaidar and installation of Viktor Chernomyrdin as Prime Minister in December 1992.

Viktor Chernomyrdin was one of the most successful industrial managers in the country. He had directed the build-up of the Soviet natural gas industry in the 1970's and the early 1980s, an extraordinary accomplishment on a huge scale; and his appointment reassured the industrial managers. 24

Under Chernomyrdin, reform would continue, but at a more measured pace, with much greater attention to the requirements of production and employment. Most of he radical

23 Ibid., May 25, 1992, p A-5
features of the Gaidar reform were slowed. But one key program remained on course—privatization. Under the privatization scheme, all citizens received vouchers valid for ten thousand rubles. Managers and employees could purchase between 40 and 51 per cent of enterprises. The vouchers could be sold or traded. By 1993, tens of thousands of small enterprises mainly, restaurants, shops had already passed into private hands— an estimated 80 per cent of the trade and services sector. At least half of larger enterprises had been privatized. By one calculation over 35 million Russian had used their vouchers to buy stock in privatized firms, as the opinion polls indicated and despite the uncertainties, the struggles and the very haziness of the concept in Russia, private property came to be a reality.25

However, the bitter controversy over the economic shock therapy had fueled a growing political struggle between Yeltsin and the Russian parliament. The battle was complex: at stake was the choice between a strong president and a strong parliament, the balance between the center and the regions, and the character of economic policy.

The conflict produced virtual gridlock by the April 1993 referendum in which Yeltsin won stronger support from Russian voters than had been generally expected. But the results of the referendum were not decisive enough to provide him with a clear mandate to break the grip of the parliament single handedly. They did, however, strengthen his authority and give him new political momentum, which he used to press for a constitution that would give him stronger presidential powers. He appealed to the regional leaders to back him by offering them a partnership in the new structure. He invited them to send their representation to a new constitutional convention, thus effectively bypassing the parliament.26

The proposed constitutional draft called for abolishing the CPD and creating a two chamber parliament. The upper house would represent 89 regions and republics and the lower house would be chosen from the country’s election districts. Other important provisions of the draft provided that key federal judges would be nominated by the

24 Yergin, Daniel- p-200-215
25 Ibid.
26 Simes, Dimitri, "The Return of Russian History", Foreign Affairs, Vol 73, No. 1 pp-874
president and confirmed by the upper legislative chamber; the central bank president would be confirmed by the legislative branch of government; property rights would be enshrined.

The new constitution would also strengthen the presidency, permitting whoever held that office to disband parliament and call new elections in certain circumstances. The draft made it harder for the president to be impeached, involving an expanded High Court in the process.

The constitutional conference consisted of 692 delegated from 88 of Russia’s 89 regions and republics. The 89th autonomous republic which had unilaterally declared independence as Chechenya boycotted the conference. The methodology to checkmate the opposition was typically Yeltsin’s specialization which earned him the sobriquet of populist; enlist popular support through democratic devices and by appealing to popular and national sentiments, forge new relations in the power matrix to overrule the opposition which could include erstwhile allies.

As expected the seven hundred delegates who convened in the Kremlin in June 1993 for the constitutional conference met on a very shaky foundation. Their division symbolized the deep splits over the kind of political order Russia should have in future. The first group represented Yeltsin and his principal advisors. They advocated a constitution with strong presidential powers, a blend of American and the French presidential models. The second group represented the legislature loosely led by its speaker, Ruslan Khasbulatov. They sought the opposite: a strong legislature that would be the supreme source of the law of the land.

The third group consisted of the heads of the twenty one “autonomous republics and districts.” These made up 15 per cent of the population of the Russian Federation and had special rights and privileges under the Federal treaty adopted in 1992. For example, they retained most of their tax receipts and managed to gain some control over their own...

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natural resources. The avtonomii, as they are called in Russian, nominally represent non-Russian ethnic groups, but in fact Russians are a majority in most of them and most of their elite are Russians and Russified native elite.

The fourth major group at the conference included the leader of the provinces (oblasti) and territories (krai) in which most people live. The leaders of these regions were ambivalent. They wanted greater control of local resources, but they also wanted effective government in Moscow. The provinces and territories were also arrayed against the avtonomii, whose greater privileges they resented. 28

Indeed, Russian provinces and cities had taken to declaring themselves independent republics for the very purpose of gaining privileges similar to those of the avtonomii. Announcing “independence” suddenly seemed almost the fashionable thing to do in Russia. For example, a group of deputies from the Moscow provincial Soviet introduced a motion at the beginning of June 1993 to declare an independent republic of Moskovia having a population of 6.7 million people and cover 47,000 square kilometers. 29

The battles, among the regions slowed down the work of the constitutional conference. But the real problem that the constitution’s writers faced was the absence of consensus on the fundamentals of the political and economic order. At the end of the conference’s deliberation, Yeltsin obtained its endorsement for a new draft constitution. But the regional governments were so divided that it was unclear what the outcome of a constitutional referendum would be.

Moreover, as was expected, the boost Yeltsin received from the April 1993 referendum did not last. In July, the parliament led by Khasbulatov, launched a legislative offensive aimed at taking control of the whole reform programme are removing it from the president’s hands. It tried to slow down privatization and step up “social” spending which could in some opinion greatly worsen the budget deficit and speed up inflation. It passed legislation giving it greater control over the appointment of key ministers and reducing

28 Yergin, Daniel p-250-265
the president to a figurehead. The central Bank unleashed a confused and incomplete currency reform. Even Yeltsin’s own economics minister tried to resurrect elements of central planning. Meanwhile rival factions within the executive branch exchanged accusations of corruption. Government in Moscow was virtually paralyzed. The president and the parliament were locked in a battle, as Yeltsin sought to suspend his vice-president.30

As was the case in 1991, there were effectively two governments in one space. But now instead of Yeltsin’s Russian Federation closing in on Gorbachev’s Soviet Union, it was Yeltsin’s executive stymied by a parliament that had once elected Yeltsin its speaker but was now dominated by his former allies turned bitter enemies. The root of the struggle was a patchwork constitution that made both president and parliament sovereign, without providing a mechanism to resolve the inevitable conflict between them.

By late September, Yeltsin faced the threat that the parliament would soon force a new confrontation. Parliamentary speaker Ruslan Khasbulatov appeared determined to reduce Yeltsin to a figurehead at the congress of peoples deputies session and to force a whole menu of anti reform measures. Two years of growing personal rivalry and bitterness, sharpened competition between legislative and the executive, and irreconciliable ideological difference had finally come down to a single line in the dust.

Yeltsin moved first. On September 21, 1993, he dissolved both the Supreme Soviet and the parent congress of people’s deputies. He admitted that the existing constitution did not provide for his action. “Being the guarantor of the security of our state, I am obliged to propose a way out of this deadlock,” he explained “I am obliged to break this ruinous vicious circle.

The CPD was the full parliament of 1000 representatives who met from time to time and the Supreme Soviet was the standing assembly of 250 members. Yeltsin called for election for Dec. 11-12-1993, to fill a new legislative assembly.

In his televised national address Yeltsin accused most Supreme Soviet deputies of flouting the will of the people and plotting against him. Parliament's fiscal and economic decisions had been disastrous, the president claimed. The body "seized by a group of individuals who had turned it into a headquarters for inconceivable opposition had forfeited the right to be at the major levers of state power," Yeltsin said.\textsuperscript{32}

The parliament hastily summoned into special session by Khasbulatov vowed resistance. "The Putsch will collapse with a crash", Khasbulatov said.\textsuperscript{33} The parliament deposed Yeltsin as president and installed vice-president Rutskoi as acting president. But Yeltsin had the upper hand. He had carefully crafted the support of the military and the security services since his presidency of Russia during Gorbachev era. In the weeks prior to the dissolution decree Yeltsin had made repeated visits to the key military and police garrisons in the Moscow areas assuring himself of their loyalty. A ring of troops surrounded the parliament building the white House bombard and forced its evacuation.\textsuperscript{34} Yeltsin did what came naturally to him. Throughout his career in Moscow-first under Mikhail Gorbachev, then in the opposition and finally as Russian leader- Yeltsin had been most impressive in dramatic public confrontations. It was by challenging Gorbachev at the October 1987 Central committee plenum, walking out of the communist party congress in July 1990 and standing atop a tank in front of the Moscow White House in August 1991 that Yeltsin made his career and established his unique chemistry with the Russian people. He was both more successful and more comfortable in the role of a charismatic, decisive hero than in addressing the everyday affairs of governance, building alliances and displaying tactical flexibility.

His political triumph over the old parliament made him the sole source of federal authority with no meaningful checks and balances, till the election of the Federal Assembly. As Yeltsin, himself said "My only counterbalance is my conscience".\textsuperscript{35}

The siege of the White House in September – October 1993 was an eerie replay of

\textsuperscript{32} Ibid.
\textsuperscript{33} Ibid
\textsuperscript{34} Lambeth, S. Benjamin, "Russia's Wounded Military" Foreign Affairs, March April 1995 pp-86-98.
\textsuperscript{35} Sestanovich, Stephen, "Russia Turns the Corner", Foreign Affairs. Jan-Feb 1994, pp 83-98
August 1991, abounding in ironies. Many of the people inside the building were the same ones who had defied the plotters of twenty-five months before but the principal resistant, the man who had become a symbol of embattled democracy the world over by standing on a tank in front of the White House, was now on the other side, directing the operation.

In August 1991, the tanks never arrived before the White House. The army and the police refused to intervene to support the plotters against Boris Yeltsin and the parliament. In October 1993, although the parliament’s claim to legitimacy strictly speaking, was the same as before, the outcome was different. 1993 finally came down to who would make the mistake of resorting to violence first. The answer was given when supporters of parliament seized the mayor’s office and then occupied the television tower at Ostankino.36

The government had planned and mobilized much greater military force, sending tanks through the streets of Moscow to the White House and setting the parliamentary building on fire with canons, forcing the total surrender of occupants.

In both 1991 and 1993 though the drama of the White House was played out before the cameras of the world, and world public opinion was focussed on every episode of the confrontation, the Russian public was largely unengaged. Both times, the Russians who trooped to the White House numbered no more than few thousand while the rest of Moscow and the country watched and waited. Even most politician tried to sit on the fence and await the outcome in Moscow.

In retrospect, the second seige of the White House was likely to be seen as the real beginning of the new Russian Revolution. Since the resistance to the coup days of 1991, force had been practically suspended as an instrument of domestic politics; but in the future, it demonstrated that no political question will be decided without at least the implicit threat that one side or the other will use coercion, and the loyalty of the security force at all levels will become a pressing everyday concern for politicians.

36 Ibid.
The dismissal of the old parliament put the issue of new elections at the center of the political agenda, the elections which would bring new players and forces to the political stage, the emergence of political parties as a major force in Russian politics, and mark the advent of modern politics in Russia because of the important first time role in them of television and campaign finance.

The scenario would also push the relation between the center and the regions as the central political issue. Behind the debates over the writing of constitutions, the design of institutions and the allocation of duties between president and legislature the one question that remained uppermost was whether Moscow or the regions would control resources, property, political power in Russia.

Yeltsin’s draft constitution was put to a referendum vote on December 12, 1993. The new 66 page draft constitution of 137 articles provided for Presidential nomination of the premier. The president would also name all top judges, including the chairman of the Supreme court and the constitutional court which would be expanded to 21 members. The president would also have the power to name the prosecutor general, the nation’s chief law officer and the head of an independent central Bank.

Under the new charter, deputies in both the state Duma, the lower house of the Federal Assembly and the Council of the Federation would serve a first term of two years. After the first term deputies in the council of the Federation from party lists- would be appointed by local government bodies.

Backering away from previous constitutional drafts, the proposed charter curtailed the autonomy of Russian republics, regions, districts and the cities of Moscow and St. Petersburg. The draft established those entities as “subjects of the federation” declaring them equal in their rights and subordinate to the laws & decisions made at the center.\(^{37}\)

In a national address Yeltsin declared the constitution as a bulwark of stability. However

as pointed out by critics the constitution was intended to be a bulwark for Yeltsin. In a
newspaper editorial that was widely quoted in the Western press. Nezavisimaya Gazeta
editor Valery Tretyakov wrote. “It is a constitution for presidents in general and for
president Yeltsin in particular.”38 The power of the judiciary casting its influence even
over the judicial appointments coupled with the undercutting of the legislative branch of
the government made for personalization of power structure leaving little scope for
creating institutions and establishing legal framework, necessary for the development of
democracy.

The new constitution was endorsed by about 57 per cent of the voters in referendum vote.
The victory was somewhat offset by the election results of the lower house (Duma) and
upper house (council of Federation) held simultaneously with the referendum.

Half of the 450 seats in the Duma would be filled from the party slates based on party
preference voting, while the other half was to be taken by the winners of races in single-
member districts.

**December 1993 Election Results**

<table>
<thead>
<tr>
<th>Electoral Bloc</th>
<th>Percentage of Popular Vote</th>
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<tbody>
<tr>
<td>Agrarian Party of Russia</td>
<td>8.0</td>
</tr>
<tr>
<td>Yabloko (Yavlinsky-Boldyrev-Lukin)</td>
<td>7.9</td>
</tr>
<tr>
<td>Future of Russia-New Names</td>
<td>1.3</td>
</tr>
<tr>
<td>Russia’s Choice (Gaidar)</td>
<td>15.5</td>
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<tr>
<td>Civic Union</td>
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<td>Democratic Party of Russia</td>
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<tr>
<td>Dignity and Charity</td>
<td>0.7</td>
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38 Ibid.
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<th>Party</th>
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<td>Communist Party of the Russian Federation</td>
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<td>Constructive Ecological Movement</td>
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<td>Liberal Democratic Party of Russia</td>
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<tr>
<td>Party of Russian Unity and Accord</td>
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</tr>
<tr>
<td>Women of Russia</td>
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<td>Russian Movement for Democratic Reforms</td>
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### The Duma’s Makeup

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<tr>
<th>Party Fraction</th>
<th>Leader</th>
<th>Number of Deputies</th>
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<tbody>
<tr>
<td>Liberal Democratic Party</td>
<td>Vladimir Zhirinovsky</td>
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<td>Yegor Gaidar</td>
<td>71</td>
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<td>New Regional politics</td>
<td>Vladimir Medvedev</td>
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<td>Agrarian Party</td>
<td>Mikhail Lapshin</td>
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<td>Communist Party</td>
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<td>Yabloko</td>
<td>Grigori Yavlinsky</td>
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<td>Party for Russian Unity and Accord</td>
<td>Sergei Shakrai</td>
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<tr>
<td>Women of Russia</td>
<td>Yekatarina Lakhova</td>
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### Party Preference Results

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<th>Party</th>
<th>Candidate</th>
<th>Votes</th>
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<tr>
<td>Democratic Party of Russia</td>
<td>Nikolai Travkin</td>
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<td>Union 12th of December</td>
<td>Boris Fyodorov</td>
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<td>Russian Path</td>
<td>Sergei Baburin</td>
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<td>Derzhava (Power)</td>
<td>None</td>
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Source: Facts on File, World News Digest, Volume 24, No.1089, December 21, 1993 p.1000-1015

In terms of party preference, significant victories were clocked by the ultranationalist liberal Democratic party headed by Vladimir Zhirinovsky and the communist party of the Russian Federation. While the LDP garnered 24% of the voters cast for parties and the communist cornered 14% of the votes, Yeltsin backed Russia’s Choice led by reformist leader Yegor Gaidar managed to cull 14.5% of the votes.  

However, the better performance of Russia’s Choice candidates in single member constitution ensured that the party stayed ahead the Duma.

The impetus for economic and social reform in Russia appeared to weaken following the strong Electoral support for ultranationalists and to some extent the communists. The “poverty vote” as Yeltsin called the electoral swing forced the government to water down privatization of state owned enterprises.

Much to the consternation of western advisers and international financial institutions, Yeltsin authorized subsidized loans to farming enterprises worth $120 million. The political dynamics of Russia alerted the western financial institution on the matter of financial engagement in Russia as cheap, unrecoverable credit, prevented Russia from curbing its rising budget deficit and reforming the inefficient banking system. At the

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39 Ibid.
40 Ibid
same time it provided Yeltsin a platform to launch a shrill campaign of G-7 engagement in the restructuring of Russia.\textsuperscript{41}

Infact, at all times, the western powers led by US had stood by Yeltsin in times of dire necessity. The White House even issued a statement as an embattled Yeltsin troubled by parliamentary intrigue, moved towards a campaign for referendum. “President Yeltsin has proposed to break the political impasse by taking it to the people. That is appropriate in democracies. As Russia’s only democratically elected national leader, he has our support, as do his reform government and all reforms throughout the Russian Federation,” the white house statement affirmed.\textsuperscript{42}

The political developments in Russia only helped Yeltsin to buttress the claim that he alone provided a bulwark against a militant revivalism and on his survival alone depended the reform process in Russia.

“No national security issue is more urgent than preserving Russia’s new democracy.” President Clinton said.\textsuperscript{43} The Clinton administration, in an attempt to rope the congress in sanctioning aid to Russia argued that if economic reforms begun by Yeltsin are to languish, the world will suffer. “If we are willing to spend trillions of dollars to ensure communism’s defeat in the cold war, surely we would be willing to invest a tiny fraction of that to support democracy’s support where communism failed.” Clinton stated.\textsuperscript{44}

At the height of president-parliament conflict the Clinton-Yeltsin summit in Vancouver (April 4-6, 1993), US administration promised Russia $ 1.6 billion in aid and even got the G-7 nations to commit a $ 28.4 billion aid package in the same month. The announcements were meant to stymie and prevent the conservative elements from gaining political leeway.\textsuperscript{45}

The bulk of the aid packages would be loans routed through three major multilateral institutions the IMF, the World Bank, and the European Bank for Reconstruction and

\textsuperscript{41} Eralanger, Steress, “Russia’s next vote” Nation. Jan8, 1996, pp-4-6
\textsuperscript{42} Cooper, H. Mary, “Russia’s Political Future,” The CQ Researcher, pp 387-402
\textsuperscript{43} “Nuclear clean up”, The CQ Researcher June 24,1994. Pp-551-571
\textsuperscript{44} Griffin, D. Rodman, “Aid to Russia”. The CQ Researcher, March 12, 1993, pp-219-233.
\textsuperscript{45} Aslund. Anders. “Russia’s Success Story” Foreign Affairs, September-October 1994- pp 58-71
Development. The IMF and the WB would lend on less restrictive terms and would be made up of loans from the G-7 nations, export-credit agencies to shore up and stabilize Russian importers. A $15 billion debt rescheduling was also reached with the sovereign creditors of the west.46

There have been divisions of opinion on the matter of aid and the methods of its disbursements. While Russian conservatives have attacked the packages as a measure of dependency, the Western scholars have criticized the leaders of the developed world for their frugality. “We have talked grandiosely and acted miserly” said Stephen Cohen, director of Russian Studies at Princeton University.47 “Much of what has been given has been loans. It is a noose around the neck of every Russian.” Rightfully so, a large amount of money disbursed under IMF and WB loans were to go right back to western Europe in debt service.

Though the creation of a multibillion dollar western funded “social safety net” was touted and there were talks about a new Marshall plan, much of the western attention was riveted to structural adjustment.

The circumspect behaviour of the west was not without reason. “Our experience with economic aid in Africa, Central America and parts of Asia shows that you cannot necessarily produce economic growth or democracy with resource transfers. In fact, there is no sure recipe for jump – starting economic development from outside. Development occurs as people change”, says Kirkpatrik director, foreign and defense policy studies at the American Enterprise Institue.49

According to William Miller, president of the committee on American-Russian relations, “the new economic structures in the former Soviet Union are in a primitive state and the challenge of the economic assistance should be understood in that light.”50

46 Cooper, H. Mary. “Russia’s political Future”-
47 Griffin - Ibid
48 Ibid
Russian economy was somewhere in “no man’s land between the market and the state. Though there was some price liberalization without real competition, state managers could charge any price. Accountants simply recorded paper sales to government purchasing agencies, even if the products actually piled up in warehouses. Companies routinely borrowed money from each other. Such practices created a staggering level of debt, estimated at 30 per cent of Gross Domestic Product (GDP). The rise of inter-enterprise debt is a tremendous way of de facto increasing the monetary support.\textsuperscript{51}

With pressing drastic changes, Yeltsin had to walk a fine line by trying to further economic reform with minimal additional pain. At times it meant bowing to political winds and impairment of economic recovery. “Yeltsin is sometimes said to be presiding over the second Russian Revolution. But that understates the challenges he faces. Russia is actually in the throes of three transformation: from totalitarianism to democracy, from a command economy to a free market and from a multi-national empire to a nation-state”, writes former Time columnist and present US Assistant secretary of state, Strobe Talbott.\textsuperscript{52}

The danger of cause, is without substantial assistance from abroad severe domestic problems could encourage the revival of Authoritarianism. For many actors in the US decision making is considered necessary politically. Yet unacceptable economically and US policy makers have not succeeded in getting the congress and the executive branch to talk in the same terms.

“Virtually everyone agrees to help in principle. More important it is in our national security interest. after al $3 billion in aid to Russia is 1% of our defense budget.”\textsuperscript{53}

Spokesmen of the Clinton administration claim Russia is the administraton’s great foreign policy success. Some think that the administration has been too cautious in accepting Russia and others believe that it naive is about a potential Russian threat. Some damn it for not offering a new version of the Marshall plan, while others voice object on that money is being poured down a rathole. Many see elements of all these policies in

\textsuperscript{51} Handelman, Stephen “Russia’s New Mafiya” New Haren Yale University Press, 1995, p 140-150  
\textsuperscript{52} Cooperman, alan. Yeltsin is down but Russia is not out,” U.S. News & world Report, July 31, 1995, p-37  
\textsuperscript{53} The Washington Post, “ To help Russia,” Dec 27, 1992
Clinton approach and say the administration has no real Russia policy except the appeasement of Russian President.  

The greatest risk to the U.S. administration comes from the fact that it is pushing an economic policy that has produced a depression with a decrease in production of some 50 per cent since 1991.

The economic policy promoted by the administration - which has been the standard macroeconomic program of the IMF and WB - involved reduction in deficit through a control on money supply, price liberalization. Privatization of state owned enterprises, reduction in subsidies to industry and agriculture. The programme was to be supported by financial aid to stabilize the currency.

However, the textbook response did not materialize because the microeconomic units - the farms and the factories did not respond to price signals brought about by macroeconomic stabilization programme.

The end of Socialist tradition of paternalism resulted in closure of factory units, lay offs. Extension of credit however has been difficult to obliterate, especially in the military and agrarian sector.

Given the fact that mega bucks for Russia will not be forthcoming in the foreseeable future with competing calls for funds for domestic uses in the cash strapped G-7 countries and the political reaction against shock therapy. Assistant Secretary of state, Strobe Talbott and vice - president spoke in terms of “less shock and more therapy” in the aftermath of the election.

The reform process, would henceforth depend on Yeltsin’s management of the policies of economic agenda. He had succeeded in formalising democracy, now he had to define its politics in terms of economy, force and patriotism, for consolidation of the process.

Yeltsin’s advisors began to identify businessmen who had succeeded in the market and made them spokesmen for reform. The changing role of the industrial elite was evident in

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54 Carpenter, Ted Galen, "Aid to Russia is futile." US Today, Dec 22, 1992
the fall 1993 election campaign in which one party after another presented itself as the voice of business. There was of course, a very practical reason for politicians to court entrepreneurs: The campaign’s financing rules permitted extravagant corporate contributions. Candidates for parliament from privatised businesses were three more times compared to the old economic elite of the state owned enterprises.\textsuperscript{55}

However, the old industrial elite was able to mobilize opinion against the reforms, since most Russian had only limited understanding of the market which caused a confused public debate. The combination of widespread public discontent and embattled vested interest created a ferocious barrage of public criticism. Furthermore, Yeltsin’s own reluctance to make a clean break with the old elite facilitated subsidy seeking by state enterprise managers, strong opposition to liberalization of energy prices with the effect of slippage in the monetary policy and the rise in inflation.

The manager of oil and gas companies insisted on low domestic prices since they could sell a limited volume of oil abroad on their personal account; with the proceeds they bought shares in the companies they managed. The less profitable their enterprises, the more shares they could buy which would grow in value in due time.\textsuperscript{56}

Oil and gas enterprises accounted for 45 per cent of Russia's export but they paid minimum taxes. If energy prices were truly liberalized, the transparency of the energy sector would increase and the government would be able to tax energy enterprises effectively.

These facts notwithstanding state enterprise managers succeeded in convincing Yeltsin and his government co-opted Soviet style industrial managers, who did not favour radical economic programme.

The accommodation of elite groups to open politics could be credited to the new constitutional order which though replete with shortcomings provided a firm basis for

\textsuperscript{55} Williams, Carol J. "To backers, Yeltsin vows to keep Russia steady," \textit{Los Angeles Times}, April 7, 1996 p. A-1

peaceful competition. It helped regulate interbranch conflict and thereby reduced the risk that government and leadership crisis could degenerate into a regime crisis.

The institution which was most effected by the creation of new Russian was the army, with budgets, manpower, equipment, training and operations and bases of deployments, all in the throes of unabated decline. "Hungry, barefoot and underfinanced," Defense minister Pavel Grachev said of the forces. 57

The fairly low priority Yeltsin administration accorded the military is reflected in the distribution of scarce resources among the four key security organisations. As far as supporting conventional capabilities was concerned manpower, money & equipment appeared to be directed first to the border troops, the internal troops and the security service, the armed forces (army, navy and air force) were last in line for new resources of any type. 58

Kremlin observers point out that the precedence of the Internal security services was done on the initiative of he president to offset the power of the military in the aftermath of the attack on the conservative parliament. 59

The entrenchment of interior and counterintelligence ministries was also responsible for a muddled policy on Chechenya. Situated in North Caucasus, Chechenya had a tradition of revolt against Moscow and in the hiatus between disintegration of Soviet Union and the formation of CIS, the leader of Chechenya, Dzohokar Dvdayev, declared territorial independence and sovereignty.

When the offensive by Russian troops was repulsed, Yeltsin retaliated with an economic blockade. In retrospect, the policy was largely responsible for driving Chechenya to some rogue sponsors. But the actions were not without reasons. Dvdayev was in principle ready for relationship like that enjoyed by Tatarstan. However, the existence of the enemy was necessary for Yeltsin's politics of national integration. Predictably, Yeltsin's

58 Ibid
59 Ibid
front line men like Sergei Stepasnin, director of counter intelligence set about organising a large scale assault on Grozny, the Chechen capital.  

Yeltsin was able to ward off western criticism by telling American administrator, “You watch your backward and we will watch ours,” In Moscow, however, chorus of protest erupted not only from parliament and the public but from the high military command. Deputy secretary of Defense, General Boris Gromov harshly criticized the invasion and Mothers of conscripts organized themselves into the Mothers March for peace and travelled to reclaim their sons. Such protest astonished Yeltsin and his war party. They had counted on achieving a swift victory and had assumed that no one outside the caucasus would react. The Chechen misadventure stymied the emergence of intelligence ministries as preeminent players in Russian politics. The invasion faltered because of local actions and dissent from field commanders. In late December 1994, defense minister Grachev took control of the operation and by mid January 1995 Grozny fell, and the war shifted to countryside towns and villages. Radical groups from Algeria and Afghanistan began to infiltrate into Chechenya through Azerbaijan and brought along weapons including stinger anti aircraft missiles.

In one of the more spectacular terrorist raids in history Chechens led by Shamyl Basaev took 2,000 Russian of the town of Budyonnovsk hostage on June 14, 1995- the eve of G-7 summit in Halifax.

Yeltsin mishandled the event in a fashion that was commensurably grotesque in its own political way by leaving the country for the G-7 summit. In an act that smacked of political vendetta, president Clinton, British Prime Minister Helmut Kohl inveigled Yeltsin into attending a street circus performance. There he was photographed y the media at roughly the same time that troops were obeying his orders to storm a hospital in Budyonnovsk to free the hostage. The footage did not play well in Russia.

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It created an opportunity for Prime Minister Chernomyrdin to negotiate on live television the release of the Russian hostages and to embark on talks that led partial peace agreement on July 30, 1995. Yeltsin had to get out his men-Stephashin and Nationalities minister Nikolai Yegorov from their posts. Thereafter Yeltsin was reported to have suffered a heart attack and was away from his office for one full month. 64

For Russia, the war revealed deep-seated weaknesses in Boris Yeltsin’s vision of government and in the capabilities and intentions of his ruling elite. The political cost were exorbitant. Post Chechenya, it was difficult to think that Yeltsin was seriously committed to democracy or economic reform. No one believed that Russia is a normal state and not the rump end of an empire that may undergo further devolution. It was apparent that Russian political culture had not evolved from its old authoritarian patterns toward a rule of law.

Yeltsin himself had long made full use of the rhetoric of national pride and had frequently referred to patriotic sentiment as a great national resource in rebuilding the country. One of Yeltsin’s closest advisers Vladimir Shumeiko said that a post communist state must have its own ideology and he identified the revival of Russia as a mighty state. 65 Russia’s relations with former Soviet states the near abroad became the crux of this agenda. The course was determined by the desire to snatch the patriotic banner from the opposition, by the Kremlin’s greater attention to the inner voice of provincial Russia.

Foremost among these is the need to protect the position of Russian minorities, living beyond Russia’s border. Yet there is a second side to policy toward near abroad that was far more grudging and much less activist given Russia’s troubles at home. The policies designed to create special relationship with the former Soviet states was criticized as unaffordable with its heavy reliance on export earnings Russia could not continue subsidizing energy deliveries to former Soviet states, it was said. 66

64 Ibid
Further, US waffling on the NATO expansion plan through "partnership for peace", regarding eligibility criteria for entry compounded the strength of the Russian opposition.\textsuperscript{67}

The December elections in 1995 for the state Duma resulted in the Russian Communist party cornering 40% of the seats. The election results were a long anticipated rebuff to the economic reform policies of Yeltsin and Chernomyrdin. The two reform parties—"Our Home is Russia" led by Chernomyrdin and "Yabloko" (Apple) led by liberal economist Grigory Yavlinsky, held less than a quarter of seats in Duma.\textsuperscript{68}

Under the leadership of Gennadi Zyuganov, the communist party of Russian Federation had captured support among the many working class Russia’s who felt that they had lost their economic security in the course of Russia’s rocky transition from a state controlled economy to a free market system. The communists had also capitalized on nationalist sentiments, blaming the government for allowing Russia to lose its leadership standing in world affairs.\textsuperscript{69}

Yeltstin’s popularity freefall stems in part from his poor health and other personal problems. His abuse of alcohol has been so serious that he sometimes has been intoxicated at public appearances or failed to appear at all. Even more disquieting is a chronic heart problem that put him in the hospital intermittently.

But poor health was the least of Yeltsin’s problems with the electorate. Yeltsin incurred widespread wrath by his brutal repression of the 16 month rebellion in the breakaway province of Chechenya in southern Russia involving the death of 3,000 Russian soldiers.

Recognizing that the continuance of the conflict would make a re-election for presidency difficult. Yeltsin announced a unilateral cease-fine and offered to negotiate virtual autonomy for Chechenya.\textsuperscript{70}

\textsuperscript{70} The Economist, “Russia after Chechenya”, Feb 25, 1995, pp 49-50
A more fundamental complaint against Yeltsin was the failure of his reform programme to improve living standards for ordinary Russians. Privatization had forced inefficient enterprises to downsize or close down without adequate social safety net. After the parliamentary vote in favour of the communists Yeltsin set about restoring public confidence in his leadership so as to improve his ratings in the presidential race. Anatoly Chubais who headed the reform programme and other key personnel in the privatization programme were fired.\textsuperscript{71}

Sensitive to charges of interference in Russia’s domestic politics, the Clinton administration refrained from expressing direct support for Yeltsin, but supported Yeltsin indirectly, notably by using its international clout to speed the IMF’s approval of a $10.2 billion loan eagerly sought by Yeltsin.\textsuperscript{72}

Yeltsin rose to power with the promise of improving living standards for ordinary Russians by bringing Russia into the community of free trading nations.

Despite numerous setbacks Yeltsin spent the first four years of his presidency as a staunch champion of reform. Since the communist party’s advances in December 1995 parliamentary election he seemed to retract for his earlier position. The communists and their supporters had won close to a majority of the seats in the Duma with their call to reverse many of Yeltsin’s reforms and return to the domestic stability and international prestige of the Soviet Union before its collapse.

Yeltsin responded to the communist upset victory by following much of their platform. He fired officials in charge of economic reforms and called for a virtual halt to privatization efforts. He assumed a less accommodating stance toward the US by replacing his western leaning foreign minister, Andrei V. Kozyrev, with Yevgeny M. Primakov, an academician who also earlier headed the department of intelligence.\textsuperscript{73}

\textsuperscript{71} Hoffmann, David, “Pre-election pause in privatization,” The Washington post, March 30, 1996. P-A11
\textsuperscript{72} Devry, Ann, “US plans to stay out of presidential Race in Russia, Clinton says,” The Washington post, April 3 1996 p-A1
\textsuperscript{73} Williams Carol J., “Russia redirects foreign policy sights eastward,” Los Angeles Times, March 25, 1996. p A-1
Yeltsin also forged closer ties with neighbouring Belarus, moving Russia one step close
to a reassertion of Russian dominance over the former Soviet republics. The regrouping
and posturing was not only for short term election purposes but for political survival.
"Yeltsin is not committed to reform but to power, either democratic or economic,"
observe western analysts.

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