

CHAPTER II

MOMENTS OF TRANSITION ERA

According to declaration which was signed on December 21, 1991 by eleven members of the commonwealth of independent states of USSR, Russia took over the USSR membership in the UN, including permanent membership in the Security Council.¹⁴ Russia was a single heir of Soviet Union that collapsed in December 26, 1991. In the beginning of rising era, many obstacles were happened in finding national identity and not easy to run by a new country like Russia. Russia run many transition steps since Gorbachev until Boris Yeltsin era. The transition era brought Russia into a new country which was based communism into capitalism. Both Gorbachev and Yeltsin were very enthusiastic to develop the Russia by liberalism ways.

A. Changing in Soviet Era; Gorbachev Period

Before Gorbachev introduction his systems, Soviet used the classic-centralization system which was based on communism. State and government were involved directly in firms. State watched the price and quantity of production directly. All of society needs were controlled by central government. The society were under pressured by the government.

¹⁴ *Russia and the United Nations*. Accessed on February 6th 2012. Available on http://en.wikipedia.org/wiki/Russia_and_the_United_Nations

The beginning of reformation in Soviet was in Mikhail Gorbachev era. He was elected to be a Secretary-general of Soviet Communism Party in March 11, 1985. He replaced his predecessors and did a big changing in Soviet because he wanted to recovery the political and economic condition in Soviet by reformation program.

The reformation was happenned in Soviet together with the weak of communism power in East Europe that was signed by the felt down of Berlin Wall in Germany. Gorbachev introduced two programs of reformation in Soviet Union, they are Perestroika and Glasnost.

Perestroika or restructurization is re-arranging of policies in social and economic sectors that aimed to handle the economic stagnation by creating an acceleration mechanism of the economic growth. This economic program was adopted from some elements in New Economic Program (NEP) which was implemented by Lenin. The reducing of strict regulation, such as the strict regulation of international trade and foreign investment, and also the state control for domestic firm. He also released anti-alcohol policy for party's staffs and employees to increase the quality of their works.¹⁵

The Gorbachev efforts recovered and developed Soviet's economy by sliming of communism influence brought a hope for society, but those were failed again. The inflation happenned and Soviet did not have money to supply again. This condition worsen because of the increased of black market that pressed the official market. As we know, black market would sell the product without tax and reduced the state incomes.

¹⁵ Prof. Miriam Budiardjo. Op. Cit., Pg. 149.

The government had efforts to supply and fulfill the society needs and states budget, especially in military sector, but, on the other side, the government's step was blocked by the decreased of oil price. Whereas, Russia was very depended on this resource to cover the state defisit, that was caused by government focused in military sector, war funding . The decreased of oil price made the Russia's economy did not show a sign progress anymore. Russia was in bankrupcy and needed a new system to bring Russia out from economic depression.

Another Gorbachev's program is Glasnost. This transparency program was implemented by Gorbachev in Soviet Union to open the information of public-access and to erase the sensor that implemented by government. In this program, Gorbachev pressed in negotiating for problem solving of war, at that time Cold War was happened between US-Soviet Union.

The Cold war aggravated the Soviet's economy because government focused on state budget in military sector. In 1988 military spending was a single line item in the Soviet state budget, totaling 21 billion rubles, or about US\$33 billion.¹⁶ Cold War forced Soviet to drain the budget and also forced Soviet to borrow the foreign funds, such as IMF. Gorbachev realized about the bad impact of this war for state reserves, therefore in 1988, he signed Geneva Accords to stop the war and on February 15, 1989, he withdrew the Soviet troops from Afghanistan.

Based on Glasnost program, Gorbachev wanted the russian people more expressive in giving ideas for his reformation. Therefore, in 1988, Gorbachev changed

¹⁶ *Russian Military Budged.* Accessed on March 17, 2012. Available on <http://www.globalsecurity.org/military/world/russia/mo-budget.htm>.

the election's constitution. He suggested to make a 'new executive' in a presidential system and also to create the Congress of People's Deputies. The first freedom election in Soviet Union was held in March and April 1989.

By his reformation program, Gorbachev became the chairman of Soviet Supreme or president of Soviet Union on Mei 25, 1989. Glasnost was welcomed by Soviet People well and the awareness of national sovereignty grew rapidly. This resulted in the redundant of nationalism in every state of Soviet Union and triggered them to be independent.

The Gorbachev's hope was to bring Soviet into a prosperous state was not together within the facts; and it opposed with the nationalism that was appeared in every states of Soviet Union. It was impacted with the openness and reformation which were uncontrolled. The independency movements were appeared in each states, and they opposed the central government of Soviet Union. They demanded their sovereignty and freedom.

With this opposition movements, the domestic conditions of Soviet Union became to be uncontrolled. The target of economic growth and stability was faded. It was together with the faded of Gorbachev image. He lost the support from the Soviet people and was shoved aside from the polotical stage of Soviet Union. In August 1991, there was coup d'etat that was done by opposition parties and was led by Boris Yeltsin. This coup d'etat was failed, but Yeltsin got a good image from the people.

The efforts maintained the existence of Soviet Union still was done by Gorbachev, but three figures were led of Belarusian, Ukraine, and Russia held meeting

and signed an agreement named 'Belavezha Accords' on December 8, 1991. The agreement which declared the Soviet Union effectively disbanded and established the Commonwealth of Independent States in its place.

Government considered this agreement was illegal and Gorbachev disagreed with its disintegration way. He wanted all of process should be based on constitution were all of states gave contributions for the result, it was not resulted by three people only. Gorbachev could not do anything when the member of Commonwealth of Independent States increased. The eight unitary states of Soviet Union joined in Commonwealth of Independent States on December 21, 1991 and they agreed that Russia became inherite of the Soviet Union era. Finally, Gorbachev gave up, he resigned on December 25, 1991.

In 1990, the Soviet's government was lost their economic control. They still gave subsidies to unprofit corporations which spent much budget, but those corporations did not give much income for state. The income from tax decreased because of the anti-alcohol campaign which decreased the selling of Vodka. Moreover, it was caused by the oil industry of Soviet since 1986 showed the lower export income and began falling in 1990. The confusion in market system was caused by Gorbachev system also and caused stagnation of production by decentralization program. Therefore, the legacy of Soviet Union for Russia Federation were not only in veto right and image of powerful of Soviet Union, but also the economic collapsed as homework for a 'new era' of Russia.

B. Changing in a 'New' Russia

After opposition was failed to do the coup d'etat to Gorbachev, Boris Yeltsin was the most popular political figure in this country. Based on Belavezha Accords that had ratified on December 12, 1991, he was elected directly to be a leader and received 60% of the vote for president of the Russian Republic.

Soviet Union collapsed and disintegrated on December 26, 1991 and Russia entered the new life as new era of the Russian Federation. The Russian people's desire to escape from the communist government changed Russia's system into democracy. The system using in Russian government was different with the system of Soviet Union's government because communism had felt down and does not appear again in Russia, therefore the govermemnt of Russia does not be influenced and controlled by communism again.

Russian proclamation was an unexpected surprise, Russia became a country which covers a third of the Soviet Union, a half the population controls the capital of the Soviet Union in Moscow. This movement happenned incessant. This period called as the transition era for Russia, because Rusia should change the identity from communism into capitalism.

The collapsed of the Soviet Union brought a great impact for the Russian people. After proclaiming the independency of Russian Federation, the Russian had a lot of transition in society and State. The Russia's challenged in the early period era was how to create political system and economy as well as in the Soviet Union and sought a

new identity as an independent state. Ideology in transition era was so different with in Soviet Union era, where in Russia era it was so close to democracy because Russia was required to open with international relations to show the new power of Russia.

Many changes occurred during the transition era toward the aspects of social life. Some issues rose in the new conception of the Russian society such as Liberalism, Human Rights, Democracy, Capitalism, Free Markets, Open Society, Pluralism, and the State Law. Those things were the opposite of the conditions in Soviet Union era.

The changed process in Russia toward democracy occurred in various areas of life, such as economics, law, politics, social and cultural rights. In the economic sector, the system changed from a centralized system to an open market system (free market). In social and cultural, the system changed from closed into openness toward international relations.

Yeltsin had program for recovery economic problem in Russia by implementing IMF formula. He had a willing to change the economic system of Russia into a open-market mechanism. To support his action, Yeltsin needed to change the governance system of Russia from authoritarian to democracy.

During in shapping of democratization process in Russia, there disorientated of authority between president and parliament authority. Both of them felt in the first position that have strong power. The parliament that represented by Ruslan Khasbulatov wanted that Russia should be used the parliamenter system. Yeltsin wanted to clear his

authority and he said the governmental system of Russia Federation had to be a presidential republic.¹⁷

In pro and contra conditions, Yeltsin suggested to give the result based on the citizen decision by holding the national referendum on April 25, 1993. Russia's citizen, who was able to fulfill the requirement, had to be answer the questioners. The role of society played full to welcome Russia's future.

Table 1: Referendum on April 25th 1993

Questions	Percentage (%) of vote	
	YES	NO
(1.) Do you have confidence in the president of the Russian Federation, Boris N. Yeltsin?	58.7	39.2
(2) Do you approve of the socio-economic policies carried out by the president of the RF and the government of the RF since 1992?	53.0	44.6
(3) Do you consider it necessary to hold early elections for the president of the Russian Federation?	49.5	47.1
(4) do you consider it necessary to hold early elections for the people's deputies of the Russian Federation?	67.2	30.1

Source: Keesing Record of World Events, New Digest, April 1993.

This referendum did not have significant effect for Russia's condition. On September 21, 1993, Yeltsin released his decree No. 1400 about constitution reformation in Russian Federation and dispersed parliament. It did not work, and

¹⁷ Bambang Sunaryono. *Rusia PascaKomunisme: Demokratisasi Versus Superpresidensialisme*. Jurnal Ilmu Sosial dan Ilmu Politik, Vol. XI. No. 13 Agustus 2002. Pg. 130-131.

created a new concept of constitution on November 10, 1993. The new concept was called by superpresidential, which president as executive has stronger power than parliament.

The constitution had to be created, but the opposition party still existed in Russian Federation and inhibited the Yeltsin's authority in handling Russia's polemic. Russia also faced some major problems that appeared very dominantly in the transition period. One of them is the debts legacy for Russian. Soviet Union had debts to pay Cold War cost that appeared the people suffering and lack of security system.

Russia as a new state wanted to arrange the national system and government system first with the result that could bring Russia into be developed country. But on the other side, the debts of Soviet Union blocked Russia to grow up and be difficult to take actions. As we know that the development country can be showed by the growth of economic system. It was so difficult for Russia to rise up from the economic depression that happened in the begining era of Russia shapping.

In the end of 1991, Russia attempted to implement an ambitious transition package. Unfortunately, political obstacles, the conceptual weakness of the initial reform scenario, and the lack of sufficient consistency in its implementation led to at least partial failure of this effort.¹⁸

After Yeltsin became President in 1992, Russia focused on re-paying the soviet's debts. Yeltsin continued the '500 days' program. This program was unveiled

¹⁸ *Economic Transition in Russia, the Ukraine and Belarus in Comparative Perspective*. Accessed on February 7th 2012. Available on http://www.case.com.pl/upload/publikacja_plik/3459873_050.pdf

and implemented by Yeltsin since he became a president of the *Russian Soviet Federated Socialist Republic (RSFSR)*. It was introduced by Grigory Yavlinsky, Stanislav Shatalin, and Jeffrey Sachs in Soviet Union era to change the Russia's economic system from central planning economy into market economy.¹⁹ Yeltsin program was opposed by Gorbachev because it opposed with his economic program that run step by step, this Yeltsin planning run radically. It involved the freeing of prices and the private ownership of enterprises, land, services, and etc. Carey Goldberg wrote in *Los Angeles Times* on September 4, 1990, that Yeltsin handled the economic problem at that time by selling off most state property, freeing prices to respond to supply and demand and sharply cutting spending on defense.²⁰

National situation forced Russia to push the economic system to grow rapidly. This also forced Yeltsin to change the economic system of Russia from socio-communism into liberalism. It was so radical and hasty. The traumatic syndrom that was caused by Soviet disintegration created disorientation of Russian people. They were easy to be influenced. Yeltsin implemented 'Shock Therapy' system, as the base of liberalist economic system. Yeltsin ploy was very risky, but he did not care and wanted to change Russia in six months.

According to Shafiqul Islam in his book "*Russia Road to Capitalism in Foreign Affairs*", components of Yeltsin 'Shock Therapy' could be summerized into four points,

¹⁹ Drs. Bambang Sunaryono. *Kebangkitan Rusia; Studi Tentang Jatuh dan Bangunnya Rusia Sebagai Superpower*. Jurusan Ilmu HI, FISIPOL, UMY, 2009. Pg. 30

²⁰ *Los Angeles Times*. *Yeltsin Offers Crash Plan to Revive Soviet Economy*. Available on September 4, 1990. http://articles.latimes.com/1990-09-04/news/mn-664_1_500-day-plan.

namely stabilization, liberization, privatization, and institutionalization.²¹ This therapy was applied in January 1992 by Yeltsin without being synchronized to Russia's economy and political conditions.

Russia's debts hampered the implementation of shock therapy. Western did not want to discharge Russia's debts, but they made a deal with 61 percents of Soviet debts still have to be paid by Russia, including the interest of loans in 1992 were 12.3 billion Dollars of USA.²²

The Yeltsin decision in brought capitalism in Russia was debated. The new transition era in Russia was held by Yeltsin but it was imperfect. The IMF loans did not give better situation for Russia. Logically, Russia owed to pay the Soviet legacy. It means that funds could not effective for Russia because it turned to IMF without processing and getting profit first. Therefore, uncapability of Russia in repaying the debts to IMF and in addition to the domestic political confussion were to bring Russia into crisis during transition era. Those were as the impact of the worst implementation of economic system in Yeltsin era.

²¹ Drs. Bambang Sunaryono. *Op. Cit.*, Pg. 32-33.

²² *Ibid.* Pg. 36-37.