

Chapter III

Russia in the Post Cold War Era

This Chapter continues the previous chapter which is to elaborate the dynamic of Russia after the cold war. This will particularly explores the fall of Soviet Union along with the endeavors to reconstruct the new Russia in the post Soviet Union.

A. The Fall of Soviet Union

In December of 1991, as the world watched in amazement, the Soviet Union disintegrated into fifteen separate countries. Its collapse was hailed by the west as a victory for freedom, a triumph of democracy over totalitarianism, and evidence of the superiority of capitalism over socialism. The United States rejoiced as its formidable enemy was brought to its knees, thereby ending the cold war which had hovered over these two superpowers since the end of World War II. Indeed, the breakup of the Soviet Union transformed the entire world political situation, leading to a complete reformulation of political, economic and military alliances all over the globe.⁴³

What led to this monumental historical event? In fact, the answer is a very complex one, and can be arrived at with an understanding of the peculiar composition and history of the Soviet Union. The Soviet Union was built on approximately the same territory as the Russian Empire which it succeeded. After the Bolshevik Revolution of 1917, the newly-formed government developed a philosophy of

⁴³ Cited from http://www.coldwar.org/articles/90s/fall_of_the_soviet_union.asp. Retrieved at October 4th 2009

socialism with the eventual and gradual transition to Communism. The state which the Bolsheviks created was intended to overcome national differences, rather to create one monolithic state based on centralized economical and political system. This state, which was built on a Communist ideology, was eventually transformed into a totalitarian State, in which the Communist leadership has complete control over the country.⁴⁴ However, this project of creating unified, centralized socialist state proved problematic for several reasons. First, the Soviets underestimated the degree to which non-Russian ethnic groups in the country (which comprised more than fifty percent of the total population of the Soviet Union) would resist assimilation into Russianized State. Second, their economic planning failed to meet the needs of the state, which was caught up in a vicious arms race with the United States. This led to gradual economic decline, eventually lost whatever influence it had originally carried.⁴⁵

By the time of the 1985 rise to power Mikhail Gorbachev, the Soviet Union's last leader, the country was in a situation of severe stagnation, with deep economic and political problems which sorely needed to be addressed and overcome. Recognizing this, Gorbachev introduced a two-tiered policy of reform. On one level, he initiated a policy of glasnost, or freedom of speech. On the other level, he began a program of economic reform known as perestroika, or rebuilding. What Gorbachev did not realize was that by giving people complete freedom of expression, he was unwittingly unleashing emotions and political feelings that had been pent up for decades, and which proved to be extremely powerful when brought out into the open. Moreover, his policy of economic reform did not have the immediate results he had

⁴⁴ Ibid.

⁴⁵ Lovell Tom, *The fall Of The Soviet Union: Why and Wherefores*, cited from <http://www.ralceightavern.org/lovell.htm>. Retrieved at October 4th 2009

hoped for and had publicly predicted. The Soviet people consequently used their newly allotted freedom of speech to criticize Gorbachev for his failure to improve the economy.

The disintegration of the Soviet Union began on peripheries, in the non-Russian areas. The first region to produce mass, organized dissent was the Baltic region, where, in 1987, the government of Estonia demanded autonomy. This move was later followed by similar moves in Lithuania and Latvia, the other Baltic republics. The nationalist movements in Baltic constituted a strong challenge to Gorbachev's policy of glasnost. He did not want to crack down too severely on the participants in these movements, yet at the same time. It became increasingly evident that allowing them to run their course would spell disaster for the Soviet Union, which would completely collapse if all of the periphery republic were to demand independence.

After the initiative from Estonia, similar movements sprang up all over the former Soviet Union. In the Trans-Caucasus region (in the South of the Soviet Union), a movement developed inside the Armenian-populated autonomous region of Nagorno-Karabagh, in the Republic of Azerbaijan. The Armenian population of this region demanded that they be granted the right to secede and join the Republic of Armenia, with whose population they were ethnically linked. Massive demonstrations were held in Armenia in solidarity with the secessionists in Nagorno-Karabagh. The Gorbachev government refused to allow the population of Nagorno-Karabagh to secede, and the situation developed into a violent territorial dispute, eventually degenerating into an all-out war which continues unabated until the present day.

Finally, the situation came to a head in August of 1991. In a last-ditch effort to save the Soviet Union, which was floundering under the impact of the political movements which had emerged since the implementation of Gorbachev's glasnost, a group of "hard-line" Communists organized a *coup d'etat*. They kidnapped Gorbachev, and then, on August 19 of 1991, they announced on state television that Gorbachev was very ill and would no longer be able to govern.⁴⁶

The country went into an uproar. Massive protests were staged in Moscow, Leningrad, and many of the other major cities of the Soviet Union. When the coup organizers tried to bring in the military to quell the protestors, the soldiers themselves rebelled, saying that they could not fire on their fellow countrymen. After three days of massive protest, the coup organizers surrendered, realizing that without the cooperation of the military, they did not have the power to overcome the power of the entire population of the country.

After the failed coup attempt, it was only a few months until the Soviet Union completely collapsed. Both the government and the people realized that there was no way to turn back the clock; the massive demonstrations of the "August days" had demonstrated that the population would accept nothing less than democracy. Gorbachev conceded power, realizing that he could no longer contain the power of the population. On December 25, 1991, he resigned. By January of 1992, by popular demand, the Soviet Union ceased to exist. In its place, a new entity was formed. It was called the "Commonwealth of Independent Republics," and was composed of most of the independent countries of the former Soviet Union. While the member

⁴⁶ Lovell Tom, *Ibid*.

countries had complete political independence, they were linked to other Commonwealth countries by economic, and, in some cases, military ties.⁴⁷

Soviet Union, with its centralized political and economic system, has ceased to exist. The fifteen newly formed independent countries which emerged in its aftermath are faced with an overwhelming task. They must develop their economies, reorganize their political systems, and, in many cases, settle bitter territorial disputes. A number of wars have developed on the peripheries of the former Soviet Union. Additionally, the entire region was suffering a period of severe economic hardship. However, despite the many hardships facing the region, bold steps being taken toward democratization, reorganization, and rebuilding in most of the countries of the former Soviet Union.

By 1990 the Soviet government had lost control over economic conditions. Government spending increased sharply as an increasing number of unprofitable enterprises required state support and consumer price subsidies to continue. Tax revenues declined as republic and local governments withheld tax revenues from the central government under the growing spirit of regional autonomy. The anti-alcohol campaign reduced tax revenues as well, which in 1982 accounted for about 12 percent of all state revenue.⁴⁸

The elimination of central control over production decisions, especially in the consumer goods sector, led to the breakdown in traditional supplier-producer relationships without contributing to the formation of new ones. Thus, instead of

⁴⁷ Lovell Tom, *Ibid.*

⁴⁸ Lovell Tom, *Ibid.*

streamlining the system, Gorbachev's decentralization caused new production bottlenecks.

To restructure the Soviet administrative command system and implement transition to a market-based economy, Yeltsin's shock program was employed within days of the dissolution of the Soviet Union. The subsidies to money-losing farms and industries were cut, price controls abolished, and the ruble moved toward convertibility. New opportunities for Yeltsin's circle and other entrepreneurs to seize the former state property were created thus restructuring old state-owned economy within a few months.

On 25 December 1991 the red flag was lowered from the Kremlin and by the end of the month the Soviet Union had passed into history. Fifteen new states stood where one mighty superpower had recently held sway. Neither the system nor the Union had to disappear in this particular way. Before liberalization and democratization from above, only a handful of dissidents dared voice their grievances and demands in public.⁴⁹

A different leader from Gorbachev might have resorted to old-style coercion the moment he saw that reform was leading to loss of control. A different leader from Yeltsin might have strived to preserve the boundaries of a 'greater Russia' rather than accept borders that had never, historically, been those of his country and which, moreover, meant that 25 million Russians found themselves all of a sudden living

⁴⁹ Brown Archie, *Reform, Coup and Collapse: The End of the Soviet State, Contemporary*, retrieved from www.bbcnews.com, November 11, 2009.

'abroad'. Each of the five great transformations interacted with and influenced the others.⁵⁰

Fifteen new states stood where one mighty superpower had recently held sway. But the sequence was that the Soviet Union was first reformed, then transformed, and then disintegrated all within the space of six-and-a-half years. It had ceased to be a communist system in any meaningful sense from the time of the state-wide contested elections of the spring of 1989. Inside the Communist Party, vigorous public debate had replaced 'democratic centralism'.

Moreover, the basic principle of the party's 'leading role' within the political system and society was being challenged from all sides as new political organizations sprang up. In March 1990 the Communist Party's monopoly of power was removed from the Soviet Constitution, formal recognition of what had been the reality on the ground for the past year. Never has an empire disintegrated with so little bloodshed. Although huge difficulties remained for the successor states, the way Soviet communism came to an end was one of the great success stories of 20th century politics.

Even after the loss of its empire, Russia retains a huge army. But those armies are embittered by its own humiliations and its loss of status. Many officers and their families, returned from bases in Eastern Europe, are now living in tents. By some estimates, as many as 150,000 Russian officers are currently homeless. Some are waiting restlessly and uneasily for the new military housing that a united Germany is helping to build for them as part of the price of troop withdrawals from the former

⁵⁰ Ibid, Brown Archie.

East Germany. The future of Russia's formidable armed forces is uncertain even to those who command them.⁵¹

Yeltsin and Gorbachev engaged in increasingly bitter rivalry, poorly masked by occasional attempts at cooperation. In the summer of 1990, Gorbachev joined with Yeltsin to jointly sponsor a radical program of economic reform called the Five Hundred Days — a rapid dash to the market that would also redistribute power to the provinces. But, almost as quickly as he had endorsed it, Gorbachev — prompted by the conservatives who had so much to lose — disavowed it. Meanwhile, the Russian Federation was winning the battle it had initiated against the Soviet government for tax revenues. By mid-1991, the Soviet government was running out of money, a fact that played no small part in its collapse.⁵²

Day by day, the existing system was failing. All of the republics, each with its own national identity, declared that their own laws took precedence over those of the USSR. Nationalism was fatally undermining the authority of the Soviet state.

B. The Early Restructuration of Post-Soviet Union

The core of the Soviet system has been obliterated. The Communist ideology and its center of power, the apparatus of the Communist Party of the Soviet Union, have been destroyed. Above all, what has collapsed is the Communist ideal itself. Even though its utopianism turned out to be a cloak for a brutal system of power, this

⁵¹ Yergin D. Gustafson, Thane. *Russia 2010 and What It Means to The World*, Nicholas Brealy Publishing, London, 1994.

⁵² Yergin D. Gustafson, Thane. Op. Cit. p. 49.

ideal has not yet been replaced by another strong ideal that commands broad allegiance.

That new ideal could well prove to be nationalism, which can manifest itself in many different forms. A battle over the soul and character of Russian nationalism has already begun. Will the result be a constructive, unifying principle that brings the past and the future into alignment and provides a foundation for a democratic political order, or will it become the tool of extremists filled with anger and resentment and hungry for authoritarianism? The “market” and “democracy” are, becoming the battle ground on how the question above will be directed in varying degrees to various people, enticing ideas, though frightening at the same time.

Russia occupies a very specific space in international politics and history. It is the largest state in Europe and also the largest in Asia. It faces both west into Europe and east and south into Asia. It has few natural borders and, over its long history, it has faced substantial security threats from both directions: the Mongols and the Turks from the east and south; and the Poles, Lithuanians, Swedes, French and Germans from the north and west.

In the wider world, Russia could hardly be accused of sharing the western agenda of democratization, human rights, humanitarian activism (including the use of force in crisis response), or the re-definition of sovereignty implicit in that agenda. Underlying these tensions are shifts in the distribution of power owing to Russia's recovery, which has been fuelled by energy exports and high prices in global hydrocarbon markets.

Market economists believed that the dismantling of the administrative command system in Russia would raise GDP and living standards by allocating resources more efficiently. They also thought the collapse would create new production possibilities by eliminating central planning, substituting a decentralized market system, eliminating huge macroeconomic and structural distortions through liberalization, and providing incentives through privatization.

Since the USSR's collapse, Russia faced many problems that free market proponents in 1992 did not expect. Among other things, 25% of the population lived below the poverty line, life expectancy had fallen, birthrates were low, and the GDP was halved. These problems led to a series of crises in the 1990s, which nearly led to election of Yeltsin's Communist challenger, Gennady Zyuganov, in the 1996 presidential election. In the recent years, the economy of Russia has begun to improve greatly, due to major investments and business development and also due to high prices of natural resources.

To restructure the Soviet administrative command system and implement transition to a market-based economy, Yeltsin's shock program was employed within days of the dissolution of the Soviet Union. The subsidies to money-losing farms and industries were cut, price controls abolished, and the ruble moved toward convertibility. New opportunities for Yeltsin's circle and other entrepreneurs to seize the former state property were created thus restructuring old state-owned economy within a few months.

After obtaining power, the vast majority of "idealistic" reformers gained huge possessions of state property using their positions in the government and became

business oligarchs in a manner that appeared antithetical to an emerging democracy. Existing institutions were conspicuously abandoned prior to the establishment of new legal structures of the market economy such as those governing private property, overseeing financial markets, and enforcing taxation.

We must remember that Russia today is an oil-dependent economy. No one can accurately predict the fluctuations of oil prices. The collapse of the Soviet Union should serve as a lesson to those who construct policy based on the assumption that oil prices will remain perpetually high. It would seem that in our country, which has lived through the collapse of the late 1980s and early 1990s, this fact would be evident. But as soon as the prices went up again at the beginning of 2000 and in 2004 became comparable in real terms to those at the beginning of the 1980s, the idea that "high oil revenues are forever" has gained an even wider acceptance.

Of course, the Russian government has taken into account some lessons from the experience of the Soviet collapse and has been conducting a careful policy during the current period of high oil prices. The administration has accumulated a considerable reserve of foreign currency, a significant portion of oil revenues in the Stabilization Fund, and approached budgetary spending with great care. Nevertheless, the temptation to take and immediately divide these revenues is great. Those who argue on every television channel or newspaper about how to better spend these relatively modest funds, which would only be enough for maintaining stability for two to three years if oil prices decline, should read again the documents that

demonstrate how a seemingly stable superpower disintegrated in only a few short years.⁵³

One more lesson that is relevant for Russian politics today is that authoritarian regimes, although displaying a façade of strength, are fragile in crisis. In conditions of relative stability, society is prepared to tolerate the lack of real elections. People are prepared to come to terms with this situation as an inevitable and habitual evil. But they will do so only until the country encounters a serious challenges, requiring decisive and tough measures in order to adapt to unfavorable conditions.⁵⁴

In this latter case, it becomes evident that the "contract" between authoritarian rulers and their subjects--which secures stability by people's tolerance of the authorities and the authorities' noninterference in people's affairs--will need to be reexamined. Such reevaluation undermines the regime. The rulers, who for the longest time have insisted that their rule is the best, find it hard to ask for and get broad societal support in a moment of crisis. In this situation, the society has a habit of answering, "For many years, we were told that we are led to a 'brighter future,' but now you would like us to tighten our belts. Instead, tighten your belts--or leave."⁵⁵

Russia does not need new upheavals. During the course of the twentieth century it saw enough of them. In this regard, the understanding by the elites and society that a real democracy is not an ideological dogma or something imposed by the West, but rather an important precondition for the stable development of the country, will finally give Russia the hope of escaping crises and cataclysms. This realization is vitally important for Russia's development in the next decades.

⁵³ Gaidar, Yegor, *The Soviet Collapse: Grain and Oil*, retrieved from www.aci.org. May 27, 2010

⁵⁴ Ibid, Gaidar, Yegor.

⁵⁵ Ibid, Gaidar, Yegor.

Besides, Russia today is not ideological. For the moment, at least, Russians appear inclined to develop pragmatic approaches to their problems, to cope with them rather than solve them. This may not last, but for the present, at least, the Russians, in throwing off Marxism-Leninism, seem to have rejected all ideologies. To the extent that there is a “ruling idea” in people’s minds, it is mainly a diffuse hostility to the former order and the ideas behind it. Russians today are not so much committed to the market as they are committed against Leninist central direction.⁵⁶

The central government in Russia remains the dominant force in the economy. The Ministry of Finance continues to dominate all financial matters, setting tax and credit policy, regulating Russian banks, and funding state corporations and investment programs. Such a concentration of power under the executive branch of the Russian government has its drawbacks.

The financial structure remains the weakest part of the Russian capitalist system. Many of the basic institutions of a market system have already been created in embryo. Banks, exchanges, private firms, private shops, financial information systems, and the like have sprung up like mushrooms in the past five years. They operate “irrationally” as yet because they labor under distorted incentives, but the people within them are gaining experience in their roles, and the new institutions themselves have been developing. There are growing forces interested in pragmatic success. Many people, especially in the big cities, have already gained a stake in the

⁵⁶ Kagarlitsky B. *Russia Under Yeltsin and Putin: Neoliberal Autocracy*, Pluto Press, London, 2002.

movement toward a new system, and they will work to preserve this movement, thus advancing their own interests.⁵⁷

In addition, a gas cartel that brings together the world largest exporters of natural gas was an idea floated initially by Russian president Vladimir Putin; it has also been supported by Iranian president Mahmoud Ahmadinejad, both the leaders of the largest gas producers of the world. The world largest producers of natural gas are on the way to create if not the equivalent to the OPEC, which sets prices and quotas, at least some coordination in factors such as pricing, infrastructure, and the development of technologies for the cost effective storage of LNG,

Russia nowadays is revising its military doctrine in order to deal with what it sees as an increasing threat of US military actions around the world. Along with that, China has substantially increased its military budget and it is on the path of becoming a global military power. India is building its own naval force and enhancing its ballistic missile technology with the help of Russia.⁵⁸ Meanwhile, the rapid industrial expansion of China and India has created a competition for the world's energy resources and the need to secure their supply. The increase in the military expenses of these three countries is aimed at ensuring its energy security as threats amount due to the Iraq war and other crisis in energy rich areas of the world.

On the other hand, the US-led unipolarity extends NATO operations beyond its natural geographic limits, such as Afghanistan, and other war theaters. It is also incorporating countries formerly under the Russian sphere of influence. US carries

⁵⁷ Yergin D. Gustafson, Thane. *Russia 2010 and What It Means to The World*, Nicholas Brealy Publishing, London, 1994.

⁵⁸ Ibid. Yergin D. Gustafson, Thane.

out advance plans to use the new NATO countries as platform for its missile defenses.