

The New Russia - Five Years On

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It is now just over five years since the Soviet Union was dissolved and the Russian Federation emerged as the largest of the successor states. This paper describes and analyses developments in Russia since the presidential elections of June-July 1996. The circumstances of those elections were described in a previous Library research paper: *The Russian Presidential Election: Prospects and Implications* (96/70).

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Introduction

The Soviet Union dissolved at the end of 1991 into 15 new or restored sovereign states, the biggest of which by far was the Russian Federation. Five years later the Russian Federation has a new constitution (1993), and has held two sets of parliamentary elections (1993,1995) and one set of presidential elections (1996), all of which were more or less freely and fairly conducted. The economy has been subjected to a process of drastic reform, but output is still far below the levels of 1991. The old social structures and behavioural norms have gone: Russian society has become anarchic and sometimes violent, with whole communities dispersed or pauperized. The Federation has fought a bloody and unsuccessful war against a determined secessionist movement in Chechnya. The armed forces are in disarray. For those who can enjoy it, there is far more personal and political freedom than there was in the Soviet era, but the cost has been very high.

I The Economy

A. The Legacy

Any consideration of the state of the Russian economy has to begin with the legacy of the past: after rapid growth based on reconstruction and the mobilisation of additional labour and land resources in the post-war period, the Soviet economy stagnated from the mid-1960s onwards and went into sharp decline in the late 1980s. Years of over-centralised and often corrupt economic management and over-investment in crude military power, coupled with political restrictions on the circulation of information and systematic disincentives to innovation and efficiency had resulted in an economic malaise which was exacerbated by the political collapse of the Soviet Union in 1991 and the accompanying disruption to trade, transport and finance. Between 1989 and 1995 the already moribund Russian economy declined by at least 45% - a massive drop by any standard - and the decline is continuing. Russia is expected to record a further decline of 6-7% in output during 1996.¹ The hyper-inflation rates experienced in 1992 have disappeared, but the official measure of inflation was still at an annual rate of 22% at the end of 1996 and this is widely regarded as artificially low.²

¹ Peter Boone, "Reform off the Rails?", *CentrePiece*, Issue 3, October 1996, 16 and *Finansovye izvestiya*, 10 December 1996, 1. According to other calculations the 1989-95 decline in GDP was 52%. The further decline during 1996 leads some observers to suggest that the Russian depression which began in 1989 "is approaching a magnitude which is twice as bad" as the US depression of 1929-33. See S Hedlund & N Sundström, "The Russian Economy after Systemic Change", *Europe-Asia Studies* 48:6 (1996), 889-90.

² *IMF Survey*, 23 September 1996, 297 and *BBC Summary of World Broadcasts*, SUW/0469 WA/4. The official figure is questioned by many commentators. According to one: "inflation in Russia has a non-monetary character which is expressed in a variety of other indicators, such as the growth in production costs, the trade deficit, postponed demand etc, while the value of quasi-money of various kinds grows steadily" - Sergei Ivanov, *Finansovye izvestiya*, 10 December 1996, IV. It has also been pointed out that workers whose salaries are not

B. Prospects for growth in 1997

Despite a few boom areas, mainly in luxury goods and new service industries, the economy as a whole is taking longer than expected to achieve positive growth. In October 1995 an OECD study had predicted positive growth of 10% in 1996, so the actual performance has been disappointing and somewhat surprising. The rate of decline may slow down in 1997, but there is now little prospect of a resumption of growth until at least 1998, and even this is by no means certain.

One of the key factors inhibiting economic recovery has been a fall in investment even greater than the fall in GDP and this shows little sign of "bottoming out".³ When GDP does eventual begin to grow again it is unlikely to be because existing factories and farms will have resumed production using their worn out and inefficient equipment. A great deal of defence-related production is unlikely ever to resume in its old form: even if strategic circumstances were to change again the military technology would be out of date.⁴ World experience suggests that economic growth, when it comes, will involve new technologies and new plant, often in new locations and this will not happen without substantial investment.

Another factor is that the state budget deficit eats into the potential for economic growth by consuming resources otherwise available for current consumption and investment. On the basis of this factor alone one Russian economist predicts that there will be no growth in 1997, and possibly a further severe fall in GDP.⁵ Many Russian economists and politicians are beginning to fear that de-industrialisation will prove permanent and that it forms part of the deliberate strategy of "the West" towards Russia. According to this school of thought the interest of foreign investors in mineral and energy extraction industries only confirms that Russia is increasingly being seen as a "third world" economy.

C. Progress of economic reform

Significant reforms in the direction of a free market economy were initiated in 1992 under the interim premiership of Yegor Gaidar and have continued somewhat more cautiously since 1993 under Viktor Chernomyrdin. There are widely differing views of the results. Most

paid for months at a time suffer an erosion of purchasing power much higher than the official rate of inflation.

³ Hedlund & Sundström, 890.

⁴ The publicity surrounding Russian export deals in the defence area disguises to some extent the fall in defence-related production. According to official Russian figures, defence industry production fell over all by just under 40% in 1996 compared with 1995. The highest sectoral fall was in naval shipbuilding, where there was a fall of 59.2% - *Jane's Defence Weekly*, 15 January 1997, 9.

⁵ Andrei Illarionov, "Svyatochnye gadaniya na byudgetnoi gushche", [Reading the Christmas budget tea-leaves], *Izvestiya*, 24 December 1996.

prices have been freed, but some are still subject to local controls. Most small and medium-size enterprises, and some large ones, are notionally in private ownership, but this often means that the previous managers have obtained controlling share options and have successfully prevented outside interests from accumulating shares. The vouchers issued to ordinary citizens for share purchase rapidly lost most of their nominal value. There are many other distortions which favour elite groups and make possible extensive "rent-seeking" behaviour at public expense. For example, a great deal of money has been made by selling abroad Russian raw materials acquired at far below their international value. Similarly, state credits made possible only by inflationary expansion of the money supply are selectively granted to favoured industries and enterprises and tax exemptions are granted to favoured organisations. Some corrupt connections between politicians and financiers have been exposed in the media, but many others are suspected. Peter Boone has summarised the effects of these policies:

Ultimately, such policies bring economic chaos: high inflation, politicians fighting for control, and enormous amounts of resources being shifted to small groups of people. The population becomes disenchanted with democracy and market reforms, and democracy becomes dangerously precarious.⁶

A more optimistic view is that hyper-inflation has been defeated and, after a period of chaotic and often corrupt dealing, a stable banking system is beginning to evolve. A Swedish expert on the Russian economy who has advised the Russian government in earlier reform phases recently predicted that Russia will become steadily less dependent on international financial assistance as its trade with the rest of the world grows.⁷ There is a general expectation that the dramatic decline in the Russian economy must sooner or later end and that the explosion of profit-seeking behaviour will eventually result in Russian assets, including a wealth of natural resources and a highly educated work force, being put to productive use. Some commentators continue to forecast a "coming Russian boom".⁸ However, the general tone of forecasts is now cautious or pessimistic and even some of the early enthusiasts for "shock therapy" in the Russian context, such as Professor Jeffrey Sachs, are now deeply concerned about recent developments.⁹

Prime minister Chernomyrdin gave a press conference on 17 January 1997 at which he sought to reassure the West about the progress of reform and, in particular, their independence of President Yeltsin's state of health:

⁶ Peter Boone, "Reform off the Rails?", *CentrePiece*, Issue 3, October 1996, 17.

⁷ Anders Aslund, Sturc Memorial Lecture, 7 November 1996, summarised in *IMF Review*, 16 December 1996.

⁸ R Layard & J Parker, *The Coming Russian Boom*, 1996.

⁹ S Hedlund & N Sundström, 911. Since resigning as an advisor to the Russian government in 1994 Professor Sachs has criticised the government's lack of candour and coherence in its economic policy - Associated Press, 24 May 1995.

Let the West not worry, there is no hold-up in the reforms, we are just a little bit short of money... The reforms have been progressing and will continue to do so ... There will be no changes in the reforms.¹⁰

Whatever view is held of the current trends in the Russian economy, the fact remains that it is well behind the former communist economies of Eastern and Central Europe in terms of stabilising and reversing the decline in GDP¹¹ and also behind many of the former Soviet republics in this respect. There are some good reasons for this: Russia, because of its size and diversity, is inherently more difficult to reform; it also had a particularly enduring, entrenched and all-embracing communist regime which prevented the development of the formal and informal institutions and habits which are associated with free market economies. Some of the other republics, for example in the Caucasus, also lack this infrastructure, but suffered even more dramatic falls in economic output due to civil war and other disruptions in the early 1990s and are now growing more rapidly in percentage terms from a very low base.

D. Public expenditure and "non-payment"

In order to obtain IMF loans and secure Russia's international financial position in the short term, the government is attempting to reduce inflation and limit the public sector deficit, but so many state enterprises still rely on state subsidies and so many promises were made during the 1996 presidential election campaign, that this can only be achieved by not paying salaries and pensions in the public sector. In fact both state-owned and privatised industrial enterprises have been trying to avoid or postpone adjusting to market conditions (which in many cases would mean bankruptcy and closure), first by seeking state subsidies and credits and then by accumulating arrears of payments to their suppliers and employees, with mounting social and political consequences. Debts to individuals and enterprises are now said to exceed comfortably the current rouble level of GDP.

In the aftermath of the summer 1996 presidential election there were many confident predictions that this would lead to an autumn financial crisis. In the event this has not occurred as a single event, but rather as the rolling crisis of "non-payment". Many enterprises, including some which have been trading successfully, have been forced to opt out of the money economy almost completely and have retreated into barter, making it impossible

¹⁰ *BBC Summary of World Broadcasts*, SU/2820 B/1.

¹¹ Bulgaria, however, has moved from modest economic growth in 1995 to a disastrous collapse in 1996, leading to severe political strains at the present time. The Russian economist Andrei Illarionov sees a close parallel between Bulgaria and Russia, in particular the failure to curtail very high public sector deficits: "Svyatochnye gadaniya na byudgetnoi gushche", [Reading the Christmas budget tea-leaves], *Izvestiya*, 24 December 1996.

for them to pay wages or taxes in cash.¹² A similar problem has beset local authorities which no longer receive revenue from central funds or local taxation. For example, the Krasnoyarsk region in Siberia was reduced to paying its teachers in vodka and sardines.¹³ Pensions have also been withheld over a long period, though the Government now promises to pay all current pensions and clear arrears by July 1997.¹⁴

There is a rising tide of anger about the crisis of "non-payments" and there have been many strikes and demonstrations during the winter. The anger is especially strong in the remoter regions of predominantly Russian population where it is believed, with some justification, that the non-Russian republics and regions within the Russian Federation are, for obvious political reasons, continuing to receive a generous flow of cash from the centre.¹⁵ There have been repeated undertakings by government ministers to remedy the payments crisis by administrative or legal action. However, the easiest short-term solution and the one pressed hard by sectoral representatives would be to print more roubles. The Central Bank is resolutely opposed to this, on the grounds that the kind of monetary expansion demanded would push annual inflation rates up towards 200% within a year.¹⁶ On 23 January 1997 the Central Bank chairman Sergei Dubinin warned that any such "new money" used to provide indebted firms with working capital would simply flush onto the foreign exchange market, causing the rouble rate to collapse.¹⁷

In earlier years the Russian government does seem to have given in to this temptation during the political lull of the summer months. The result in 1994 was a humiliating collapse of the rouble in the autumn of that year, which almost led to the resignation of Viktor Chernomyrdin. In the summer and autumn of 1996 the temptation to relieve short-term political pressures must have been even stronger, but the government held firm, even facing down army opposition to defence cuts. At present (February 1997) the government still seems ready to stand firm on monetary policy, hoping perhaps that the payment of debt can be postponed for a few more months until such time as the general state of the economy would allow a moderate monetary expansion to pay off public debts without causing an inflationary

¹² For example, one enterprise - Rostov Coal - was recently reported to be carrying out 93% of its turnover in barter. This made it impossible for it to pay either wages in cash or taxes on its turnover in cash. See Yuliya Latynina, "Kak chernoje zoloto stalo chernoi dyroi byudgeta" [How black gold became a black hole in the budget], *Izvestiya*, 15 December 1996. In the Krasnoyarsk region of Siberia 90% of all trading transactions are said to be conducted by barter or similar arrangements.

¹³ A Tarasov, "Gosudarstva u nas bol'she net" [We no longer have a state], *Izvestiya*, 10 December 1996. There have been reports that in Sverdlovsk the Governor has authorised the issue of new local money notes to welfare recipients, but it is not clear what purchasing power, if any, they have - *Morgan Stanley: Emerging Markets Investment Research*, 23 January 1997.

¹⁴ *BBC Summary of World Broadcasts*, SU/2821 C/1.

¹⁵ A Tarasov, "Gosudarstva u nas bol'she net" [We no longer have a state], *Izvestiya*, 10 December 1996.

¹⁶ Lev Makarevich, "Ot kabineta ministrov trebuyut dopolnitel'noi rublevoi emissii" [The Cabinet is pressed for an additional rouble emission], *Finansovye izvestiya*, 10 December 1996, 1.

¹⁷ *BBC Summary of World Broadcasts*, SU/2826 C/1.

surge. This might also be the time to introduce a new "hard rouble" with a dollar parity, a reform which is proposed from time to time.¹⁸

However, the political effects of this policy of postponement may make it impossible to sustain. During September 1996 an economic collapse began in the Far East maritime region and in some other remote regions because of food, fuel and cash shortages which led to power cuts, strikes, demonstrations and sackings of officials. The links between these developments are complex: in some cases power cuts are due to strikes, which in turn are due to cash shortages; in other cases oil-fired power stations are not operating because of shortages of oil, caused by the shortage of cash to pay for it, a result of the inability or unwillingness of consumers to pay their bills.¹⁹ In the case of coal, a high proportion of existing coal mines were developed in inhospitable regions by forced labour and have been kept going since the demise of the GULAG only by heavy state subsidies. Without these subsidies most mines would close and there would be massive redundancies. As it is the coal sector receives one of the largest shares of public expenditure, but still cannot pay wages on time and coalminers have been on strike this winter almost everywhere. A first round of strikes in December 1996 was bought off with promises of urgent government action, but new strikes have been reported in coal mines in January 1997 as frustration at the slow pace of this action has set in. Unpaid teachers have also been on strike all over Russia in January 1997.²⁰

E. The 1997 Budget

Set against the current economic and political problems in Russia, the 1997 budget has become almost an irrelevance. It has been fiercely contested in the lower chamber, the Duma, but there has been a sense of unreality about the discussions because hardly anyone expects the budget to be fully implemented. It was given a "first reading" (general approval) by the Duma, on 15 December 1996 with an unexpected degree of support from the communists, despite the fact that only minor amendments had been made in a conciliation committee. These left the budget deficit unchanged at the equivalent of about 3.5% of GDP²¹, but overall expenditure was increased somewhat, and revenue was increased to match by restricting investment allowances against profit tax and by increasing the tax on foreign currency purchases. The share of revenue from income tax paid directly to the "subjects of the federation" (ie republics and regions) was increased.

¹⁸ S Ivanov, "Budushchii god mozhet prinesti smyagchenie monetaristskoi politiki" [The next year could bring a softening of monetarist policy], *Finansovye izvestiya*, 10 December 1996, IV.

¹⁹ *BBC Summary of World Broadcasts*, SU/2816 C/1.

²⁰ Yuliya Latynina, "Kak chernoie zoloto stalo chernoii dyroi byudgeta"[How black gold became a black hole in the budget], *Izvestiya*, 15 December 1996. See also *BBC Summary of World Broadcasts*, SU/2821 C/1.

²¹ According to Illarionov this figure conceals a much large public sector deficit if planned increases in state debt, local government deficits and so-called "extra-budgetary" expenditure are taken into account.

Following further consideration in committees, the budget was given its final (fourth) reading on 25 January 1997. It then passed to the Federation Council, the upper house, where it is likely to be examined from the point of view of the individual regions of the Federation. Until the new budget is finally signed into law by the President the Government can continue to spend money in 1997 by extending the provisions in the 1996 budget on a month to month basis.

F. Defence expenditure

The defence ministry is reacting to the budgetary situation by trying to concentrate resources on smaller, but better trained and equipped forces, but this inevitably causes discontent as career servicemen are threatened with redundancy and, in many cases, homelessness. Like other state bodies the defence ministry has built up large-scale debts over the past two years by failing to pay salaries and bills for new equipment. This was partly because budgetary allocations were inadequate, and partly because even the official allocations were sometimes not handed over by the ministry of finance. Ministry of defence debts were estimated at 20,000 billion roubles at the end of 1996.²² The 1997 budget, in the form in which it left the Duma, allocates 104,317 billion roubles (approximately 18.6 billion dollars) to defence.

The defence ministry is committed to reducing and rationalising manpower, but there is some uncertainty about precise figures. Forces have already been reduced from a total manpower of 2.3m in 1994 to 1.7m²³, but even the latter figure may be much higher than the real number of combatants. The army claims that funding is insufficient to reduce and reorganise in an orderly manner, while retaining a combat capacity. Defence minister Rodionov recently complained that defence procurement was effectively frozen. The armed forces, he claimed, had acquired only one military aircraft in 1995 and none in 1996.²⁴ Other accounts suggest that this may be an exaggeration, but there is no doubt that the offensive capability of the armed forces has been affected. The failure to procure new equipment is matched by a failure to procure essential spare parts.²⁵ It is also reported that 60% of Russian surface ships and submarines are permanently confined to port and that there are serious concerns about decaying nuclear propulsion systems.²⁶

²² Judith Perera, "Russian forces edge closer to financial ruin", *Jane's Intelligence Review*, February 1997, 69.

²³ *SIPRI Year Book 1996*, 335.

²⁴ *BBC Summary of World Broadcasts*, SU/2819 S1/1.

²⁵ *SIPRI Year Book 1996*, 335.

²⁶ Perera, 69.

G. The Economic future

Sooner or later the government may have to modify its economic strategy. The present strategy is either working too slowly or, possibly, not working at all. Most foreign advice points to a further decisive shift towards the disciplines of the market. This would involve the curtailment of subsidies and hence a policy of allowing unviable enterprises to be bankrupted and closed on a large scale. However, this would naturally be very unpopular and could lead to even greater discontent and hostility towards the government and president. It would be seen as a further step towards the "de-industrialisation" of Russia.

The political dimension would be complicated by the fact that the effects of bankruptcies would inevitably be concentrated in certain regions. The disparity in wealth between regions is already large and growing. It is vital for any Russian president and government to retain political support across the broad range of regions and regional leaderships which now have an institutionalised power base in the Federation Council. It has been suggested that this factor might eventually persuade President Yeltsin, or his successor, to bring key regional leaders into the decision-making process at the centre.²⁷ The alternative, already partially realised, might be to see large swathes of Russia outside Moscow and St Petersburg captured by political forces hostile to the administration. Were these forces eventually to win power at the centre too, they would be faced with the same distributional conflicts created by severe depression and sharply increasing inequality. These could steadily turn into social and political divisions with a potential for violence to break out.

Some Russian politicians hanker after an alternative approach. This would be to introduce protectionist measures to shield Russian industry to a greater extent against competition from imports. The problem of internal debt might then be combined with a "monetarisation" of existing debt (ie deliberate inflation). However, to introduce systematic protectionism would go against the global trend in favour of trade liberalisation and against Russia's agreements with such bodies as the EU and the IMF. It might well make it even more difficult to export Russian manufactured goods other than arms. The longer term economic effects of such measures would be a matter of dispute between economists. Some would feel that a limited period of protection is necessary to allow certain industries to obtain a share in the Russian domestic market before facing world competition, while others would see it as merely serving to postpone a genuine economic recovery.

The present strategy depends on foreign borrowing, bond issues and more efficient revenue collection to finance the state budget and maintain subsidies at least for a further transitional period. The government has responded to the "non-payment" crisis by renewing its efforts

²⁷ Evgeni Vasil'chuk, "Budzhnet-97 obeshchaet kadrovuyu revolyutsiyu" [The 1997 budget promises a revolution in personnel], *Izvestiya*, 19 December 1996, II.

to collect tax revenue by force. To this end, it has increased the powers of the 38,000-strong army of "tax police". This may have some effect, but seems unlikely to bridge the budget gap in the near future. New investment is being left almost entirely to the private sector where it depends on the ability of a very weak banking system to mobilise savings, but here there is a chronic problem of mistrust. In 1996 only 4% of personal incomes went into savings and bond purchases, whereas 18% went into purchases of foreign currency. Otto Latsis concludes from these figures that the failure to halt the decline in the economy is political rather than economic at root: "the people simply do not trust in the efficacy of government economic policy".²⁸

It is still impossible to predict how the deepening economic and social malaise will affect the Russian political scene. Some politicians who confidently predicted an "autumn" crisis in 1996 now expect a "spring" crisis in 1997. As in Serbia, Bulgaria and Albania, the simmering discontent could lead to civil disobedience on a large scale, though this would be rather against recent Russian tradition. Given the opportunity of an election campaign, unhappiness with the economic situation could quickly turn into enthusiasm for a popular "strong man" such as Aleksandr Lebed. It remains true that Russia is rich in human and physical resources, but it may take many more years to build an economic and social system which is capable of mobilising them.

II The Presidency and Government

Questions about President Yeltsin's state of health and his fitness to govern have dominated political discussion ever since the 1996 presidential election. It is now known that he suffered a renewed bout of serious heart disease on or around 30 June 1996, three days before the second round of the presidential election. Since his victory in the second round he has made only very limited public appearances and in November he underwent multiple bypass surgery. In January 1997, just as the President was preparing to return to work, his health broke down again as a result of double pneumonia and, possibly, other complications.

When unable to conduct the affairs of state, President Yeltsin is represented by his chief of staff, Anatoly Chubais, a controversial figure, who is sometimes referred to pejoratively as the "regent". Chubais was the minister responsible for privatisation in the Gaidar administration and for some time afterwards. This is sufficient to account for much of his unpopularity, but he is also suspected of being politically ambitious in his own right and of exploiting his friendship with Yeltsin's daughter, Tatiana Dyachenko. The task of co-ordinating the executive is shared uneasily between Yeltsin himself, when he is fit enough, Chubais, as his personal representative, and prime minister Viktor Chernomyrdin, who very

²⁸ Otto Latsis, "Poteryannyi god" [A Lost Year], *Izvestiya*, 4 January 1997, p2.

briefly assumed President Yeltsin's responsibilities during his heart operation and would be his interim successor were he to die in office or become permanently incapacitated.²⁹ During his brief spell as security chief (July-October 1996 - see page 15), Aleksandr Lebed also represented a separate and largely unco-ordinated source of power at the National Security Council.

One of the side effects of the 1996 presidential campaign was that it confirmed the mainstream communist party and its allies as the principal constitutional opposition, at least for the time being. The communists, whose principal front organisation is now known as the Popular Patriotic Union, have formed the majority in the directly elected lower chamber, the Duma, since December 1995. They were more firmly entrenched in their oppositional role by Yeltsin's decision to take a strongly anti-communist line during his re-election campaign and the subsequent polarisation between the supporters of Yeltsin and the communist presidential candidate, Gennady Zyuganov. The communists are not particularly united among themselves and Zyuganov is not universally admired, even by his party supporters, so the idea that Zyuganov and his party represent an alternative government in waiting is probably misleading. Nonetheless, Popular Patriotic Union candidates have been notably successful in the recent round of regional governorship elections.

Aware of their own limitations, of their ageing electoral base, and of the popular appeal of Aleksandr Lebed, the communists would prefer to do a deal with the Yeltsin-Chernomyrdin "party of power" rather than wait for new presidential and parliamentary elections. They would demand the sacking of Chubais and other "liberals" from the Government and would offer their own luminaries, such as former Politburo member Yury Maslyukov in return. The decisions of the communist group in the Duma to support the re-appointment of Viktor Chernomyrdin as prime minister and to approve the 1997 budget in only marginally amended form could be seen as further overtures. However, Yeltsin and Chernomyrdin have so far rejected all approaches from the communists in favour of a grand coalition, other than to make Aman Tuleyev, a communist ally and unsuccessful presidential candidate, minister for relations with the Commonwealth of Independent States (CIS).

The idea that the situation in Russia requires a grand coalition of political forces reflects a degree of nostalgia for the artificial sense of national unity which was encouraged by the Communist Party of the Soviet Union when it enjoyed a monopoly of political power and the distaste which many Russians still feel for conflictual multi-party politics. Such feelings may have inspired President Yeltsin's rather vague proposal of 21 October 1996 that there should be fortnightly meetings of a "consultative council" consisting of himself (or Anatoly Chubais), Chernomyrdin, and the communist speakers of the two parliamentary chambers, Seleznev and Stroev. These meetings have been taking place at fairly regular intervals, but it is not clear

²⁹ There are persistent rumours that Chubais hopes to be appointed prime minister in place of Chernomyrdin, possibly for this reason.

what real political significance they have. The underlying motive could be to draw the two speakers into co-operation with the administration; Lebed's successor as secretary to the Security Council, Ivan Rybkin, has also suggested a reversion to earlier practice whereby the two speakers would become *ex officio* members of the Security Council.

Should Boris Yeltsin die in office, the most serious candidates to succeed him in the short term are prime minister Viktor Chernomyrdin, ex-security chief Aleksandr Lebed and Yury Luzhkov, the mayor of Moscow. The first has the advantage of incumbency (he would be the interim successor should Boris Yeltsin not complete his term) and is also regarded as a trustworthy economic realist by the IMF. His main disadvantage is that he has little popular appeal and no experience of wooing an electorate (at least not successfully - his Our Home is Russia movement received only 10.13% of the vote in the last parliamentary elections). He is also widely suspected of having profited personally from the privatisation of the gas industry for which he was responsible in the 1980s.³⁰ Chernomyrdin's best and possibly only hope of being elected to the presidency would be to swallow his distaste for the communists and accept the offer of a joint platform with them. As the interim president, he could also hope to manipulate the media in his favour during a campaign.

Aleksandr Lebed scored 14.5% in the first round of the presidential election in June 1996 when he was pitted against Yeltsin and Zyuganov, but recent opinion polls give him the support of around 44% of the electorate in a future contest from which President Yeltsin will be absent. If this figure is reliable, then it could easily translate into a second round victory in a presidential election. Lebed has capitalised on the one great success of his three months as security chief, the cease-fire and provisional peace settlement in Chechnya, and can now claim to have stopped two wars (the other being the conflict in Moldova in 1992 (see page 17). Lebed's weakness is that he has no claim to expertise in economic management, or, more generally, in civil affairs. His future candidacy would benefit greatly from an alliance with a respected economist, but to date he has been singularly unsuccessful, or possibly uninterested, in forging political alliances. He seems to have spurned approaches from the communists, but clearly hopes to attract some of their voters.

Yury Luzhkov (b.1936) was not a presidential candidate in 1996, but was re-elected mayor of Moscow with almost 90% of the vote. He has the reputation of an effective and pugnacious city boss and has benefited from the inflow of Russian and foreign money to the capital. He is associated with a series of monumental patriotic gestures such as the rebuilding of the Cathedral of Christ Saviour which was demolished on Stalin's orders. Luzhkov also intervenes in national politics to make populist points (such as his recent support for the

³⁰ Chernomyrdin is still regarded informally as the "guardian" of the private gas monopoly Gazprom. Some Gazprom subsidiaries have recently been investigated for non-payment of taxes and there has been pressure on the Russian government to dismantle the monopoly. Other Gazprom "scandals" are hinted at from time to time. See Dmitry Dokuchaev and others, "Skandal vokrug Gazproma"[The scandal surrounding Gazprom], *Izvestiya*, 10 October 1996.

Russian-ness of Sevastopol) and has been promoting banking deals which will aim to distribute surplus Moscow money to the regions. These moves could be seen as preparations for a presidential bid, but might not be sufficient to expand Luzhkov's electoral base in competition with Lebed.³¹

Already the possibility of an early presidential election won by Aleksandr Lebed is driving some of his rivals for power to give urgent consideration to amending the constitution in order to reduce the sweeping powers currently attached to the presidency. Amendments to the constitution require the support of three-quarters of the membership of the Federation Council and two-thirds of the membership of the State Duma.³² At present Lebed has little organised support in either chamber, so constitutional amendments brought forward by his opponents and designed to curb his potential presidential powers are not inconceivable.

III Aleksandr Lebed in and out of power

Aleksandr Lebed (b.1950) was a career soldier specialising in air borne army operations from his student days at the Ryazan military college until his retirement in 1995. He served in Afghanistan as a battalion commander in 1981-2 and returned as commander of a parachute regiment in 1985, serving there for the greater part of the next three years. When Soviet forces were finally withdrawn he was decorated "Hero of the Soviet Union" and promoted again.

As commander of the 106th Guards Airborne Division Lebed was stationed at their depot in Tula, but was frequently to be deployed to the trouble spots breaking out around the Soviet Union in the final years of *perestroika*. In the spring of 1991 he became a major-general and deputy Commander-in-Chief of Airborne Forces as command of the paratroopers shifted to a younger generation of officers, all of whom had fought in Afghanistan. The experience of this conflict had given this group a horror of bloody and unwinnable wars.

Both Lebed and his chief, Pavel Grachev, were aware during the first half of 1991 that some of their superiors in the defence ministry were preparing for a coup against Gorbachev to "save" the Soviet order and that the paratroopers would have a key role to play in any such attempt. When the August coup began Lebed was ordered to move the operational group of the 106th Division from Tula to Moscow, but General Grachev was in direct communication with Boris Yeltsin, the elected president of the Russian Republic. Lebed and Grachev made

³¹ Peter Frank, "Getting Moscow on the move", *The World Today*, February 1997.

³² Article 108 of the Constitution.

sure that their troops were not available to storm the "White House" as the coup leaders had intended and their action contributed to the ignominious collapse of the attempted coup.

Grachev was to become Yeltsin's defence minister, but Lebed seems to have declined a further promotion to the headship of the General Staff Academy, a move which would have taken him away from active service. He also prided himself on his independence of mind and his unwillingness to subordinate himself to the military hierarchy.³³

In June 1992 General Lebed was given command of the 14th Army which was based in the Transdnistria region of Moldova. The Army was at the centre of the conflict between the mainly Slavic (Russian and Ukrainian) population of the Dniester left bank and the Romanian-speaking majority of Moldova. While Moldova had become formally independent at the end of 1991, the Soviet/Russian 14th Army remained in place and was seen by the non-Romanian population of Moldova as a bulwark against possible unification with Romania. The left bankers had declared an independent republic of Transdnistria in 1991.

Lebed arrived as fighting was under way in the town of Bendery and used his command of by far the largest military force in the region to impose a cease-fire. By making it clear to the Moldovan forces that he would not allow them to defeat the secessionists, he effectively froze the status quo and left the secessionist regime in control of left-bank Moldova, with its capital at Tiraspol. Since the summer of 1992 there has been no further major outbreak of violence and the parties have edged towards a settlement on the basis of autonomy for Transdnistria within a Moldova which no longer seeks unification with Romania in the foreseeable future.

General Lebed found himself in command of a stranded Soviet army with a declining base of money and men. His relationship with the defence ministry in Moscow soon deteriorated and he became publicly critical of Grachev. Both men rallied to the support of President Yeltsin during the "parliamentary" rebellion in the autumn of 1993, but in other areas they clashed frequently. While Grachev was mired in accusations of complacency towards army corruption, Lebed was staunchly and proudly incorruptible. Disagreements with the defence minister multiplied when the latter embarked on the inept and ill-fated attempt to subdue Chechnya by brute force in December 1994. Lebed now accused Grachev of responsibility for a "new Afghanistan".

In the end General Lebed was relieved of his 14th Army command in June 1995 and the army itself was downgraded to the status of an "operational group". According to some accounts Lebed had been offered and had rejected the command of Russian forces in Tajikistan, where

³³ SG Simonsen, "Going his own way: a profile of General Aleksandr Lebed", *Journal of Slavic Military Studies*, September 1995, 536.

he would have again found himself waging an unwinnable war against Islamic nationalists. Instead, he retired from the army and announced his entry into politics. He made no secret of his presidential ambitions and saw a parallel between his own career and that of General Pinochet in Chile:

I do not in principle praise Pinochet. But what did he do? He led the state from total collapse and put the army in the first place. With its help he made everybody go back to minding their own business... Now Chile is a prospering country, despite its ridiculous geographical location... This supports the theory that when one hits the fist once on the table, a hundred men sacrificed on the altar of the nation - and the issue is closed. Or is it better with a situation where five men die every day, seemingly loose change, but in its time it adds up to a million?³⁴

Lebed made his first steps in a political career by founding his own organisation, known as "Honour and the Motherland". Within weeks he agreed to merge his efforts with those of an established movement known as the Congress of Russian Communities which sought to mobilise Russian opinion in defence of the 25m ethnic Russians left outside the Russian Federation at the collapse of the USSR in 1991. However, the CRC managed to score only 4.31% of the vote in the December 1995 parliamentary elections and therefore failed to obtain any of the seats allocated to party lists.³⁵ Five seats were won in "first past the post" constituency contests, including Tula, where Lebed had an easy victory over the local mayor. The result was that the CRC emerged as a tiny faction in the 450-seat Duma.³⁶

Despite this setback, Lebed was not deterred from contesting the 1996 presidential election in an individual capacity. As the campaign became increasingly polarised between Yeltsin and Zyuganov, he stood out for a third way, which is "neither red nor white". He claimed that his highest priority was to avoid civil war and that he was ready to talk to communists or democrats about anything. On the ownership of the means of production he stated: "There will be neither privatisation carried out dirt cheap in one fell swoop, nor expropriation without compensation. Enterprises of all forms of ownership have the right to existence and to state support."³⁷ Lebed also persisted in his criticism of the conduct of the war in Chechnya and drew attention to the embittered and potentially mutinous mood of the Russian soldiers based there.

³⁴ From a July 1994 press interview - quoted in Simonsen, 542.

³⁵ The threshold for these seats had been set at 5% of the vote.

³⁶ Some of Lebed's personal entourage now believe that the invitation to him in August 1995 to join the CRC was a deliberate ploy to blunt his electoral impact and damage his presidential chances and that it was orchestrated from within President Yeltsin's security staff. Whatever the truth of this he made a clean break with most of his associates in the CRC after the parliamentary elections and insisted on the purging of the Yeltsin's personal security staff as the price for his entry into the presidential administration in June 1996 - A Chelnokov, "Okruzhenie Lebedya" [Lebed's entourage], *Izvestiya*, 11 July 1996.

³⁷ Quoted in *Guide to the Russian Presidential Election 1996*, BBC Monitoring, 4 June 1996, p10.

For most of the campaign the opinion polls indicated that Lebed's support was running at around 7%, but the other "third party" candidates faded in the final weeks, while Lebed improved his position steadily. In the event he secured 14.5% of the vote and third place. On 18 June he was invited to become Secretary of the Security Council and national security advisor to President Yeltsin. The move appears to have been planned in advance by President Yeltsin's team and was intended to give new momentum to his campaign for the second round run-off against Gennady Zyuganov. There is evidence that around 47% of the army voted for Lebed in the first round, so President Yeltsin's move may also have been designed to ensure the continued loyalty of the army.³⁸

Lebed moved quickly to establish himself as the new "strong man" of the Yeltsin administration, but caused consternation at his first press conference on 19 June 1996 when he claimed to have foiled an attempted coup - a "Chief Committee for the Emergency Situation - Mark 3".³⁹ His appointment was immediately followed by the dismissal of Grachev and 7 senior generals and the whole of President Yeltsin's presidential security team, including the head of the Federal Security Service, principal successor organisation to the KGB.

Lebed spent his first weeks in power developing a strategy to counter crime and corruption, but soon turned his attention to Chechnya (see page 24) which was to dominate his brief partnership with the Yeltsin administration. He also busied himself with the problem of military reform which had been made ever more urgent by the humiliation suffered by the Russian forces in Chechnya. Unable to establish a close relationship with President Yeltsin, who was by now ill and isolated, Lebed made little attempt to work as part of a team. He quarrelled bitterly with the Interior Minister Kulikov (who had troops in Chechnya) and also with his own nominee for defence minister, Igor Rodionov. He engaged in a war of *kompromat*⁴⁰ and allied himself with the former Kremlin security chief General Aleksandr Korzhakov, a master of the genre.

On 15 October 1996 Lebed confirmed his reputation as an awkward and semi-detached member of the presidential administration by openly criticising defence ministry plans to

³⁸ Lebed's support was highest among the officer corps and in the airborne troops - *Moscow News*, 27 June 1996, 3. There is some evidence that the Lebed campaign was deliberately given much greater TV news coverage than the other candidates (apart from Yeltsin himself). The calculation appears to have been that Lebed was unlikely to draw many voters away from Yeltsin, but could damage Zyuganov. The regional break-down of results confirms that Lebed scored particularly well in some of the depressed industrial towns, such as Ivanovo and Yaroslavl, where Zyuganov would otherwise have been expected to win.

³⁹ The Chief Committee for the Emergency Situation was the group which attempted to overthrow Mikhail Gorbachev in August 1991. Lebed was implying that the "parliamentary rebellion" of October 1993, which involved leaders of broadly the same range of institutions, was "mark 2".

⁴⁰ Literally "compromising material". The art of *kompromat* has been defined by Otto Latsis as "the sudden production of documents personally compromising someone for the sake of trying to resolve political issues unrelated to the compromising material" - *Izvestiya*, front page on 9 October 1996.

reorganise the paratroopers. He was given a standing ovation by a gathering of paratroop officers and some observers began to suspect that he might be trying to provoke his own dismissal.⁴¹ On 16 October Interior Minister Kulikov made a dramatic personal attack on Aleksandr Lebed, accusing the latter of preparing a military coup d'etat. He pretended that Lebed's suggestion for the creation of a national guard constituted such a preparation and that the Chechen rebels had done a deal with Lebed to provide him with 1,500 fighters.⁴²

The accusation was absurd, but on the morning of 17 October 1996 prime minister Chernomyrdin held a short emergency meeting of ministers from the key "power" ministries. Lebed was apparently not invited, but insisted on attending. The meeting paved the way for the decision to dismiss Lebed by presidential decree later in the day. It is widely believed that the process was orchestrated by the head of the presidential staff, Anatoly Chubais, probably in consultation with Chernomyrdin. Not long after the meeting a brief skirmish took place on a Moscow street between Lebed's bodyguards and personnel from General Kulikov's Interior Ministry.⁴³ President Yeltsin later announced the decision to sack Lebed and signed the decree on TV. He did not endorse General Kulikov's wilder accusations, but claimed instead that Lebed had failed to work harmoniously with other ministers and was openly conducting a presidential election campaign.

Aleksandr Lebed seemed unperturbed and unsurprised by his peremptory dismissal and admitted at his valedictory press conference that he was "a loose cannon" and "a black sheep".⁴⁴ A few days later he was replaced as secretary to the Security Council by the altogether more tactful and consensual Ivan Rybkin, former Speaker of the Duma.

Since his dismissal Lebed has travelled extensively abroad and given many interviews about his ambition to be president. He talks mainly in generalities for the domestic audience and concentrates on projecting an image of strength and integrity. He wants Russia to have a "dictatorship of the law" and a "mature market economy".⁴⁵ He is more specific in his criticisms of almost every aspect of the Yeltsin administration. He has commented frequently on the absence or even the impossibility of democracy in Russia. This is not to say that he is against elections as expressions of popular will and consent - these at present seem his best hope of achieving power. Rather it is that Lebed reacts against the Yeltsin supporters and other would-be reformers who describe themselves as "democrats". He claims that he wants to draw on both the "democratic" and the "communist" ranks and insists that "those who call

⁴¹ E.g. Mikhail Karpov in the electronic version of *Nezavisimaya gazeta*, 17 October 1996, via GlasNet. Lebed's criticism of defence minister Rodionov was all the more surprising because it was Lebed who, in July, proposed Rodionov for the post.

⁴² Electronic version of *Nezavisimaya gazeta*, 17 October 1996, via GlasNet.

⁴³ *BBC Summary of World Broadcasts*, SU/2747 B/14.

⁴⁴ *BBC Summary of World Broadcasts*, SU/2747 B/3.

⁴⁵ *Izvestiya*, 17 January 1997. Both phrases contain echoes of the past: Marx and Lenin's "dictatorship of the proletariat" and Brezhnev's "mature socialism".

themselves democrats today are people from the former nomenklatura".⁴⁶ He denies rumours that he is preparing to do a deal with the communists and become the new leader of their Popular Patriotic Union, but predicts that they will split, with the "biggest and most sensible" faction rallying to his banner.⁴⁷ Abroad he is moderate, statesman-like and amicable.

IV Parliament

Under the new constitution of 1993 the two chambers which form the Federal Assembly, ie the State Duma and the Federation Council, are weak by comparison with the previous Russian system and by international standards. The president has a virtually a free hand in foreign policy, defence and security matters, except that treaties have to be ratified by both chambers. In other matters the president may issue legally binding decrees provided that these do not contradict either the constitution or laws already adopted by the legislature (Article 90). Since there are still large areas of activity unregulated by laws and the process of adopting new legislation has been very slow, this gives him considerable freedom of action. The president may exercise a veto over legislation adopted by parliament and the veto may only be over-ridden by two-thirds majorities in both chambers. The president appoints the prime minister, but has to obtain the approval of the Duma. However, if frustrated in his choice of prime minister, the president could dissolve the parliament or appoint an acting prime minister (as he did in the case of Yegor Gaidar under the old constitution in 1991-2).

To date the Duma seems to have had little influence over the course of events in Russia, despite much detailed work on draft legislation and occasional provocative resolutions. In 1994 the new Duma embarrassed President Yeltsin by adopting an amnesty for those involved in the 1993 "parliamentary" rebellion. Similarly, at the beginning of the 1996 session the new communist/nationalist majority in the Duma caused alarm by symbolically annulling one of the decisions which dissolved the Soviet Union in 1991. In practice this had little effect except to harden the determination of all the CIS republics other than Belarus to retain their full independence and to allow Yeltsin to campaign on a strongly anti-communist ticket in the presidential elections. There is no automatic government majority in the Duma, but, following President Yeltsin's victory in the presidential election he re-appointed Viktor Chernomyrdin as prime minister and the Duma approved the appointment with very little opposition.

The Duma does tend to rebel against government policy on issues which have a symbolic significance for the communists and nationalists. It did so again in October 1996 when it claimed authority to legislate for the status of Sevastopol, the historic Russian Black Sea

⁴⁶ *BBC Summary of World Broadcasts*, SU/2818 B/5.

⁴⁷ *BBC Summary of World Broadcasts*, SU/2829 B/2.

naval base which is politically and geographically in Ukraine; and on 5 February 1997 when it voted, against the advice of the government, for a draft law which would legitimise the retention by Russia of works of art taken from Germany in 1945 as compensation for the war-time destruction of Russian art and architecture.

From 1993 to 1995 the upper chamber of the Federal Assembly, the Federation Council, was directly elected, but since the beginning of 1996 it has consisted of the principal elected official and the legislature chairman or speaker of each of the 89 components of the federation (see below). The Federation Council normally sits for only one week in every four but its recent replenishment with newly elected regional governors may give it greater influence in the future. On 5 December 1996 the Federation Council followed the State Duma in adopting a provocative resolution which affirmed that Sevastopol remains a Russian city.

V Regional and local government

The Russian Federation consists of 89 component parts, of which 21 are "republics" and the others "provinces" or "regions". The latter include the cities of Moscow and St Petersburg. As in the German and other federal constitutions, certain matters are defined as being subject to federal laws drawn up by the federal assembly, others are defined as being of joint competence, and the remainder are reserved as matters of local competence for the components of the federation.

The republics are in areas historically associated with a non-Russian nationality (though in some cases Russians are now in the majority) and each has its own parliament. These now bear traditional names mainly taken from the languages of the titular nationality of the republics. The republics have presidents, the provinces have elected "heads of administration" (colloquially known as "governors" as in tsarist times) and the cities have elected mayors. Some provinces aspire to the same degree of autonomy and control over local resources as is enjoyed by the ethnic republics (by bilateral agreement with the central government) and Russian provinces are frequently jealous of what they see as the privileged position of the republics. In constitutional terms the most privileged republic is Tatarstan which negotiated its own bilateral agreement with the centre after threatening to secede.

Russian regional and local government carries a heavy, but confusing legacy from the Soviet past. Under the Soviet system there was a hierarchy of elective local *soviets* (literally "councils"), but real power lay with the parallel communist party committee structure which ensured that "the right people" were nominated and elected to the *soviets*. Since the party system was highly centralised, this left little room for local discretion or initiative, but the local administrative apparatus had a kind of bureaucratic weight and inertia (often compounded by corruption) which meant that it ground on regardless of what was happening

in Moscow. This latter tendency seems to have endured in most localities, despite the collapse of the communist party structure and the comings and goings of elected or appointed local politicians.

When communist party rule ended in 1991 effective power shifted from the local "first secretary" to new heads of administration (or "governors"). Province governors were originally appointed by the president subject to the approval of the provincial assembly. However, many were dismissed in 1993 because of the support which they had given to the "parliamentary" rebellion of that year and replaced by new presidential appointees.

However, the right to local self-government was entrenched in the new constitution of December 1993 (Articles 130-133). There were long delays while new national legislation and local charters were adopted, but a series of elections in the later part of 1996 mean that most governors are now directly elected. Moreover, the elected governors and chairmen of republican, regional or provincial councils automatically become members of the Federation Council (upper house) in Moscow. This means that the Federation Council has become overwhelmingly involved in regional politics. It also provides the local heads with a regular opportunity to transact business in Moscow, a factor which has made it hard for the upper chamber to achieve a quorum.

It has increasingly been recognised that elected provincial governorships offer an important power base to ambitious politicians. In US terms, the victors in these elections become simultaneously state governors, with extensive powers, and senators with a national political platform. Not surprisingly there have recently been a number of cases of national politicians running successfully for election as governors. For example, the former vice-president Aleksandr Rutskoi, who led the "parliamentary rebellion" in 1993, was elected in Kursk in 1996.

The degree of independence enjoyed by provincial governors is controversial. In practice it seems to be the case that many republics and provinces get away with significant infringements of federal competence because enforcement mechanisms are so weak. Strong local governors can even run their own policies on economic reform or the lack of it. Federal Justice Minister Valentin Kovalev complained about this in November 1996, claiming that it leads to juridical and economic chaos and that whole regions of the federation, including 19 of the 21 republics, are living largely outside federal law.⁴⁸

⁴⁸ *BBC Summary of World Broadcasts, SU/2775 B/2*

VI Chechnya⁴⁹

During the 1996 presidential election campaign the long, destructive and ultimately futile attempt by the Russian army and security forces to crush Chechen nationalism became a major issue. President Yeltsin was clearly anxious to end the unsuccessful war which had cast a deep shadow over his presidency since late 1994 and made a number of efforts to manoeuvre the Chechen leadership into a cease-fire on terms favourable to Russian nationalists, ie with the integrity of the Russian Federation fully maintained.

These attempts failed in the end because of the inability of the Russian forces in Chechnya to hold on to the territory which they had captured at such a high cost. At the beginning of August 1996, ie within weeks of President Yeltsin's re-election, the Chechen rebels launched an offensive which reversed their losses of 1995 and left them in almost full control of Grozny. The Russian Army and Interior Ministry forces had suffered constant attrition during their occupation and morale was at very low levels. It had been reported in the Russian press that Russian servicemen were openly selling weaponry and ammunition to the rebels and allowing the latter to move freely through notional check points. From the time of unilateral independence in 1991 to the present there seems to have been a covert flow of money and arms from Russia to the Chechen rebels.⁵⁰

Having campaigned on his ability to untie the Chechen knot and then having accepted his new post as President Yeltsin's national security supremo, Lebed was confronted with two apparently incompatible demands from the President: that he should restore the situation in Grozny as of 5 August 1996; and yet simultaneously organise the withdrawal of Russian forces from Chechnya by the beginning of September in order to fulfil a pledge made by Yeltsin during the election campaign.⁵¹

During August 1996 Russian forces made some unsuccessful attempts to regain control of Grozny and of other key areas of the republic by means of infantry advances and house to house fighting. On 20 August the acting Russian commander in Grozny, General Pulikovskiy, issued an ultimatum to the rebels to quit Grozny or face an all-out aerial and artillery

⁴⁹ The Chechens refer to their state as "Ichkeria". On the background to and earlier stages of the Chechnya conflict see Research Papers 95/4, 95/41, 95/128 and 96/70.

⁵⁰ "Ostanetsya li russkoe avos' glavnym sredstvom resheniya chechenskogo krizisa?" [Will the Russian "perhaps" be the chief means of resolving the Chechen crisis?], *Izvestiya*, 14 September 1996.

⁵¹ Given the state of his health at the time doubt is now being cast on whether President Yeltsin ever actually issued any instructions concerning Chechnya - documents appear to have been prepared by his staff and issued with a facsimile signature - see *Izvestiya*, 7 September 1996, p2.

bombardment.⁵² The warning caused panic among the remaining civilian population of the city, many of whom are Russians rather than Chechens, and led to a mass exodus of refugees.

Meanwhile, General Lebed pursued the path of direct negotiations with the rebel chief of staff Aslan Maskhadov and the threat of massive bombardment was not followed through. An outline settlement was reached on 23 August after three rounds of talks. It was based on a five-year postponement of a decision about the final status of the territory. In the mean time Chechnya would remain part of the Russian Federation, at least in Russian eyes, but with an autonomous government formed after fresh elections. Both sides in the conflict would cease military activities and withdraw their forces from Grozny to agreed points outside the city. Lebed returned to Moscow with the outline agreement and immediately doubts emerged about the extent to which he enjoyed the confidence of the government and president. There was loud opposition to the deal in both chambers of parliament and the plan was also referred to legal experts in the Ministry of Foreign Affairs, to ensure that it did not unintentionally confer a new status on Chechnya in international law.⁵³

Despite all these uncertainties in Moscow, a cease-fire did enter into force in Chechnya on 27 August 1996 and Lebed finally returned to initial the peace agreement with Maskhadov at Khasavyurt (in neighbouring Dagestan) on 30 August in the presence of a representative of the Organisation for Security and Cooperation in Europe (OSCE). Among other things the text reiterated the unimplemented presidential decree of 25 June 1996 whereby President Yeltsin, in the heat of his re-election campaign, ordered a complete withdrawal of Russian Ministry of Defence forces from Chechnya.⁵⁴ A joint commission to be formed by 1 October would supervise the transitional administrative and economic arrangements.⁵⁵ In addition a monitoring commission would be formed by the leaders of the neighbouring North Caucasus republics which, for the present at least, accept their position within the Russian Federation.

At a press conference on 3 September 1996 General Lebed gave his latest estimates for casualties of the Chechnya conflict: 80,000 dead and 240,000 wounded.⁵⁶ Lebed paid two further visits to Chechnya during September (on 5 and 17) to talk to Maskhadov about the interim arrangements and the maintenance of the cease-fire. According to a journalist accompanying him on the first occasion the cessation of the fighting had left Chechnya in the hands of several different Chechen groups: the main rebel force controlled by Maskhadov

⁵² According to Stepan Kiselev of *Izvestiya* (21 August 1996) General Pulikovskiy, whose son has been killed in Chechnya, was mentally unbalanced and would do anything to prevent a peace settlement based on Russian concessions to the Chechens.

⁵³ "Proshel li Lebed' ekspertizy rossiiskogo MID?" [Has Lebed got past the Russian foreign ministry experts?], *Izvestiya*, 31 August 1996.

⁵⁴ The decree did not cover the Interior Ministry forces which had played a prominent part in Moscow's unsuccessful attempts to restore control over Chechnya.

⁵⁵ text in *Izvestiya*, 3 September 1996.

⁵⁶ *Izvestiya*, 4 September 1996.

which more or less occupied 60% of the republic; at least two quasi-independent Chechen field commanders - Shamil Basaev, who led the 1995 raid on the southern Russian town of Budennovsk and Salman Raduev - with local strongholds; a small area in the north loyal to the pro-Russian puppet government of Doku Zavgayev; and a significant number of criminal gangs.⁵⁷

During September there was further discussion about the composition of the Joint Commission and the appointment of the interim government. The Russian side wanted the 50% Chechen representation on the commission to be shared between representatives of interim president Yandarbiyev⁵⁸ and Doku Zavgayev, an arrangement which would give a clear pro-federal majority on the Joint Commission.⁵⁹ The Chechen side meanwhile took matters into its own hands and in October named leading separatist figures to form an interim cabinet.⁶⁰ It also announced new presidential and legislative elections for 27 January 1997.

Following the sacking of General Lebed on 16 October 1996, the Chechen settlement came under strain, but his successor, Ivan Rybkin, was anxious to honour the principal terms of the agreement and was supported in this by prime minister Chernomyrdin. The latter was no doubt swayed by the huge economic cost of the conflict for Russia. Some have attributed the failure to halt economic decline in 1996 to this factor alone. Chernomyrdin had endorsed the settlement before Lebed's departure and later became personally involved in negotiations about implementation. He signed further documents on the interim agreement with Chechen leaders at Razdory (outside Moscow) on 23 November 1996.

The Chechen elections were duly held on 27 January 1997 and seem to have been conducted in a relatively calm and well-organised manner. Aslan Maskhadov, the former chief of staff and architect of the peace settlement, won the presidential election by a wide margin (59% of the vote) against the militia leader Shamil Basaev (24%) and interim president Zelimkhan Yanderbiyev (10%). There were some accusations of manipulation, but no dispute about the outcome, which was accepted even by Doku Zavgayev. In the parliamentary elections few candidates were elected in the first round and the outcome will depend on the second round on 15 February 1997.

⁵⁷ Yevgeniya Albats, "V voskresen'e nachnetsya vyvod voisk iz Chechni" [The pull-out of forces from Chechnya begins on Sunday], *Izvestiya*, 7 September 1996. One such gang seems to have been responsible for the murder of 6 International Red Cross workers in Chechnya in December 1996. There have also been numerous kidnapping and ransom demands. Victims have included several journalists and the brother of the former speaker of the Russian Supreme Soviet Ruslan Khasbulatov.

⁵⁸ Zelimkhan Yandarbiyev had succeeded Dzokhar Dudaev who is generally believed to have been killed by a Russian rocket in April 1996. One of the Chechen militia commanders, Salman Raduev, claims that Dudaev is in fact still alive.

⁵⁹ *BBC Summary of World Broadcasts*, SU/2718 B/4.

⁶⁰ *BBC Summary of World Broadcasts*, SU/2723 B/4.

On the Russian side there is great reluctance to accept that the present cessation of the war depends on leaving open the option of Chechen secession from the Russian Federation in five years time and the Khasavyurt Agreement is regarded as being of questionable constitutionality for this reason. While some have accused Lebed of treachery, he continues to assert his belief that in due course the majority of Chechens will voluntarily choose to retain a link with Russia. They could be encouraged to do so by economic incentives and by their common interest in deriving revenue from the oil pipeline which crosses Chechnya on its way from the Caspian oilfields to Russia. Lebed has spoken of the possibility of a special political status which gives Chechnya even greater autonomy than currently enjoyed by Tatarstan, possibly some form of sovereignty under a Russian "protectorate".⁶¹ In the mean time Aslan Maskhadov has declined to take his seat in the Federation Council.

The victory of Aslan Maskhadov in the Chechen presidential elections was welcomed by most Russian politicians and should help to keep the settlement on track. There has been no international recognition of Chechen independence. Internal independence is an established fact, but could be left open to differing interpretations almost indefinitely provided that neither side seeks a further confrontation. Under its first president Dzhokhar Dudayev, Chechnya had become a base for criminal activity on an international scale and a source of anxiety to western governments as well as to the Russian government. If Aslan Maskhadov is able and willing to introduce a more settled and responsible system of government and if Russian policy towards the Caucasus region also becomes more coherent and responsible, then a more peaceful period could ensue.

VII Crime

According to one commentator, organised crime is now Russia's greatest growth industry:

At the beginning of 1996, there were perhaps 5,000 major *mafia* gangs operating in the country, controlling some 40,000 businesses, including 407 banks. Although the authorities have trumpeted their success in fighting organised crime, claiming that of 18,000 gangs of all kinds, 12,000 have been eliminated, this is largely due to a process of consolidation.⁶²

There have been some spectacular outbreaks of gang violence. For example, 14 people were killed by a bomb in a Moscow cemetery on 10 November 1996, apparently a settling of scores between rival gangs exploiting the tax privileges granted to the Afghan war veterans.

⁶¹ BBC Summary of World Broadcasts, SU/2730 B/3.

⁶² M Galeotti, "The pros and cons of investing in the bear", *Jane's Intelligence Review*, January 1997, p6.

There is also a great deal of criminal economic activity which distorts attempts to produce accurate economic statistics and deprives the state of tax revenue. According to Interior Minister Kulikov on 20 January 1997 the so-called "shadow economy" accounts for about 40% of all economic activity.⁶³

The current high level of criminal activity throughout Russia imposes substantial costs on the economy, diverting resources and imposing heavy security overheads. It also has a marked psychological effect, undermining confidence and optimism and boosting nostalgia for the communist era. In fact Russia has a long tradition of gangsterism and there was institutionalised corruption throughout the old Soviet system, but both were generally hidden from view until the early 1980s. The level of KGB and communist party control of society ensured that in the Brezhnev period, whatever else may have been wrong with society, the streets were generally safe for children and old people.

One of the side effects of the high rate of violent crime is that it has become politically impossible to abolish the death penalty, despite pressure to do so from the Council of Europe.⁶⁴

VIII Foreign policy and defence

The slow motion conversion of Russian foreign policy from one of idealistic internationalism to hard-nosed pursuit of economic and political advantage was completed in 1996 by the resignation of Andrei Kozyrev and the appointment of Yevgeny Primakov as foreign minister. To some extent this is a reversion to traditional great power politics, but it is also a response to economic and military weakness. Primakov had been a significant foreign policy and intelligence specialist, and occasional trouble-shooter, from the early 1970s through to the Gorbachev period, was briefly a candidate member of the Communist Party politburo (in 1989-90) and re-emerged as head of the foreign intelligence service under Yeltsin.

Earlier in his career Primakov was mainly concerned with the lands to the south of Russia (especially the Middle East), rather than those to the west and this corresponds to the new strategy. This is now to cultivate key allies and partners in Asia (principally Iraq, Iran, India, China and Japan) and to use these relationships both to promote trade and to give Russia some leverage in its dealings with the USA, Europe and international institutions such as the IMF.

⁶³ *BBC Summary of World Broadcasts*, SU/2823 B/2.

⁶⁴ *BBC Summary of World Broadcasts*, SU/2818 B/6.

In the last decade Russia has seen a near-total collapse of its political, economic and military power in Eastern Europe and most of its erstwhile "satellites" become firmly opposed to any renewal of Russian influence, so the policy towards Europe has to be one of damage limitation for the time being. This currently takes the form of using diplomatic means to resist the eastern enlargement of NATO, or failing this, to ensure that the enlargement is as limited as possible. It now seems almost inevitable that NATO will decide in 1997 to invite Poland, Hungary and the Czech Republic, and possibly Slovenia, to accede in 1999. Negotiations between NATO and Russia about their future relations are continuing, but it seems most likely that Russia will eventually acquiesce in this first enlargement, but will insist on binding undertakings about the non-deployment of NATO forces and nuclear weapons in the new NATO members. Russia will also hope to obtain assurances that there will be no further enlargement in the foreseeable future and that the CFE Treaty (on conventional arms limitations) will be revised to take account of the drastic changes which have taken place in the military geography of Europe. The Russian government is also anxious to secure a more advantageous settlement of strategic nuclear limitations, either by revising START II (still unratified by the Russian parliament) or by means of a package which would allow START II to be ratified as signed, but deal with Russian concerns in an early START III negotiation.⁶⁵

Russian alliances with and arms sales to Asian states can also be used to some extent as bargaining chips. For example, the USA has long been suspicious of Russian assistance to Iran in the civil nuclear field. Similarly, Russia could renew its economic and military relationship with Iraq in a way which might seem threatening to US and European interests in the Gulf. Diplomatic and economic alliances with India and China can be used to avoid the isolation of Russia in the UN. However, none of these are entirely natural alliances: Russian strategists, like much of Russian public opinion, tend to regard Asia as a source of multiple threats rather than reliable friends. China, in particular, is often seen as a long term threat to Siberia, while the Middle East is the source of the Islamic revolution which is already undermining Russian influence in Central Asia and along the southern edge of the Russian Federation.

Foreign Minister Primakov is quite open about his pursuit of Russia's interests, but insists that this would not be carried through to the point of confrontation with other states, since this would certainly be damaging: "The dialectic of this policy consists in our unwillingness to slide towards confrontation. We do not want and will not allow a return to the Cold War".⁶⁶

Russian policy towards the "near abroad" (ie the former republics of the USSR) continues to be determined somewhat independently of foreign policy in general. The main justification for this is that the republics which achieved or regained independence at the beginning of

⁶⁵ *Atlantic News*, 29 January 1997, 2.

⁶⁶ *BBC Summary of World Broadcasts*, SU/2817 B/6.

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1992 still have economic or infrastructure links with Russia dating from the Soviet period and most still have significant Russian-speaking minority populations. In some cases there are open or only lightly protected borders between the new republics and the Russian Federation. Eleven of the republics (all except Estonia, Latvia and Lithuania) have acceded to at least some of the many multilateral agreements which have been reached under the umbrella of the Commonwealth of Independent States, though few of these have yet been implemented, and a few have agreed, at least on paper, to work towards closer forms of union with Russia.

In several cases Russian relations with the republics are severely troubled, albeit for different reasons. In the case of Estonia there is concern about the rights of the Russian-speaking minority and also about a latent Estonian claim to territory which formed part of the inter-war state of Estonia, but was later transferred to and remains in Russia. In the case of Ukraine there is less concern about the plight of ethnic Russians, since these form a very large minority in Ukraine, the linguistic and cultural differences between them and Ukrainians are much less clear cut, and there is no evidence that they are disadvantaged in the Ukrainian state. However, there is a latent territorial dispute about the Crimean peninsula and the naval base of Sevastopol. In this case Russia has the historical claim, recently reaffirmed by both the Duma and the Mayor of Moscow, but the territory remains with Ukraine as a result of the symbolic "gift" of the Crimea to Ukraine by Khrushchev in 1954, in an era when the difference was almost meaningless.

The only former Soviet republic where there is a strong political movement in favour of reunification with Russia is Belarus. Since it became formally independent Belarus has had a very troubled political history. Economic reform has barely begun and a large segment of the ex-communist ruling establishment is nostalgic for the certainties of the Soviet period. There are deep divisions within the population about the viability of Belarus as a separate political, economic and cultural entity. In 1994 the presidency was won by Alyaksandr Lukashenka on an anti-corruption and pro-Russian platform. Having won decisively in the second round with 80% of the vote, Lukashenka has taken an authoritarian and idiosyncratic line, often clashing with the Belarus parliament. In the autumn of 1996, after winning a referendum on increased presidential powers, he claimed the authority to dissolve the parliament and replace it with a bicameral assembly consisting largely of his own nominees and supporters.

Lukashenka's declared aim is to bring about the reunification of Belarus and Russia, an aim which is formally acknowledged and supported by President Yeltsin. It is shared with somewhat greater enthusiasm by Russian communists and nationalists and has been presented as a possible Russian riposte to the eastern enlargement of NATO. There are many Russian politicians and commentators who are more sceptical. They wonder what the new confederation would be called and how the imbalance between its two components would be balanced constitutionally. They also note that the overstretched Russian budget might have

to take on the burden of the collapsed Belarussian economy, and fear that a deliberate gesture of defiance to NATO could culminate in Ukraine and Moldova joining the "western camp".⁶⁷

IX UK and EU policy towards Russia

UK policy towards Russia is largely determined in a multilateral context. Trade issues fall almost entirely into the competence of the European Union, whereas defence and security issues are mainly decided within NATO, and to a lesser extent within the OSCE. Issues concerning financial assistance to Russia are co-ordinated within the IMF, the G7 (Group of 7, or 7 + 1 when Russia is represented) and the European Bank for Reconstruction and Development (EBRD). In practice there is a large degree of overlap between these organisations. None of these multilateral arrangements binds the UK as to its general political approach to relations with Russia, but the EU Member States are committed to defining and implementing a Common Foreign and Security Policy (CFSP) to the largest extent possible and the UK is committed to consult continuously with EU partners "in order to ensure that their combined influence is exerted as effectively as possible by means of concerted and convergent action".⁶⁸

The EU has negotiated a Treaty on Partnership and Cooperation with the Russian Federation which is likely to enter into force later in 1997 following ratification by all of the parties.⁶⁹ The Agreement speaks in its preamble of the firm commitment of all the parties to political and economic freedoms, to the peaceful settlement of disputes, to the rule of law and to human rights, including those of minorities. One of its stated objectives is "to support Russian efforts to consolidate its democracy and to develop its economy and to complete the transition into a market economy". The Agreement creates a framework for future political dialogue between the EU and Russia and accords both sides general most-favoured-nation treatment pending the accession of Russia to the GATT and World Trade Organisation. It also provides for a wide range of other measures to promote trade, transport and the equal treatment of companies and their international subsidiaries.

The CFSP proceeds by Common Positions, Joint Actions and Declarations made by the EU Presidency. To date there have been no Common Positions nor Joint Actions directed at Russia in particular, but there have been fairly regular CFSP Declarations. For example, the EU welcomed the conclusion of the presidential elections in the summer of 1996 as a milestone in the consolidation of democracy and reiterated its support for the processes of

⁶⁷ Maksim Yusin, "Zachem Rossii ob'edinyat'sya s Belorussiei?" [Why should Russia unite with Belarus?], *Izvestiya*, 15 January 1997.

⁶⁸ Treaty on European Union, Cm 3151, Article J.2(1).

⁶⁹ Cm 2701. The Agreement was ratified by the UK in July 1995, having been approved by both Houses of Parliament.

economic and democratic reform, which it undertook to assist by means of intensified cooperation. There have also been several Declarations concerning the conflict in Chechnya. In August 1996 two Declarations expressed deep concern about the situation there, deplored the attacks on civilians and urged both sides to negotiate. In a Declaration of 25 November 1996 the EU welcomed the Chechnya peace agreement which had been signed 2 days earlier.

At the December 1996 Dublin Summit the EU again expressed "its solidarity with the Russian people as they implement their historic choice in favour of democracy, the rule of law and a market economy" and its willingness to help via the Partnership and Cooperation Agreement and by other means. The language, as often, was bland, but may be contrasted with the statement adopted by the same meeting on Belarus. In that case the EU referred to its serious concern and its desire "to see a Belarus committed to democratic principles, human rights and a market economy". It went on to note that "the absence of progress in these areas would have a negative impact on relations between Belarus and the European Union and on Union support for Belarus's accession to the Council of Europe".

The importance now ascribed to the coordination of Western policy towards Russia does leave some areas for national initiative. For example, the UK has used its Know How Fund for technical assistance in areas to which the British government attributes high priority or in which it considers that the UK is particularly well placed in terms of expertise. This assistance is valued at £29.5m in 1995-96. The British Government has also collaborated with the German government in a programme of re-education for redundant Russian army officers and has provided specialised transporters for decommissioned nuclear warheads.⁷⁰

X Conclusion

The Russian political scene is characterised at present by a sense of depression and worried anticipation that there may further upheavals and misfortunes still to come. President Yeltsin's fragile post-operative condition is only one of several causes for concern, but clearly influences the short-term jockeying for position by individuals, parties, institutions and interest groups. There is scepticism about the extent to which Yeltsin will ever fully recover and be capable of exercising strategic control of the administration.

In the vacuum created by Yeltsin's absence from the Kremlin no one is certain whether it is time to prepare for a new presidential election or to fight for influence over a continuing, but weak Yeltsin presidency. The absence of a strong party system makes it very difficult to forecast how the political struggle will develop and what a change of individual in the

⁷⁰ HC Debates 19 June 1996, Vol 279, c488w.

presidency would mean in terms of power and policy. A Lebed presidency, for example, could mean almost anything as far as economic policy is concerned, and could, like the Yeltsin presidency, go through a number of radically different shifts and stages. Lebed might start with the armed forces on his side, but he might face strong opposition from other vested interests. Sooner or later he would almost certainly be forced to do deals with the more powerful regional interests and involve them directly in central government.

However, if Boris Yeltsin remains, even nominally, at the helm, then there need be no new presidential election until June 2000, by which time the race to be his successor may look quite different. On this scenario power would be exercised mainly by Yeltsin's key appointees and in his name, but without much active participation on his part. The achievements of his second term would then depend a great deal on the efforts of key subordinates such as Chubais and Chernomyrdin and their ability to work together to a common end.

Russia's European neighbours have little choice but to observe these processes nervously while working to ensure that European political, economic and security structures are sufficiently robust to withstand any future upheavals. There is a general recognition that instability inside Russia could lead to more conflicts around its borders - in the Baltic, Moldova, Ukraine, the Caucasus or Central Asia. In short, much has changed, there are some grounds for cautious optimism, but hardly anyone is satisfied with the present situation. There is a great desire for Russia to become a "normal" country, but normality continues to be elusive.

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