Part II: Exploring the New Russia

A new era in Russian history began on August 19, 1991, when President Boris Yeltsin of the republic of Russia climbed on top of a tank in front of the parliament. He was opposing a coup organized by hard-line communists against Mikhail Gorbachev, the leader of the Soviet Union.

Yeltsin called on Russians to launch a general strike and appealed to the military to turn against the coup plotters. Within three days of Yeltsin's appearance, the coup attempt collapsed.

The Soviet Union officially ceased to exist at the end of 1991, when authority transferred to its fifteen republics, the largest of which is Russia. Since then, the Communist Party's monopoly on power has given way to the beginnings of a multi-party democracy. Economically, Russia has moved away from a centrally planned economy. In the international arena, a new foreign policy has been crafted to address the loss of Russia's empire and superpower status.

The issues on Russia's national agenda have set off debate among the Russian people about where their country should be heading. While the economy has grown steadily since 1998, the losers in Russia's economic transformation still outnumber the winners. When over three hundred students were massacred in the city of Beslan in September 2004, many Russians put terrorism and domestic security at the top of their list of concerns.

Russians have probed deep into their country's history to gain a better insight into their future choices. In the following pages, you will learn about the new Russia. Three critical areas will be examined: the beginning of a new political process; the impact of economic change on Russian society; and Russia's international relations. In each section you will learn first how President Yeltsin, and then President Putin, have addressed the issues.

Democracy Russian Style

The new era has shown signs of promise. In contrast to past generations, Russians today are free to voice their opinions and travel abroad—if they can afford it. Russia has held presidential and parliamentary elections that have been judged to be relatively fair.

On the other hand, since the summer of 1991, successive waves of political tumult have washed away the memory of Yeltsin's courageous stand in the Russian capital. During the Yeltsin administration (1991-1999), corruption funneled enormous wealth into the hands of a few, and political divisions repeatedly paralyzed the government. Many Russian citizens blamed Yeltsin for their country's difficulties.
Why were some Russians pleased with the resignation of President Boris Yeltsin?

President Yeltsin appeared to most Russians to be disabled by medical problems and alcohol. On December 31, 1999 he resigned, and appointed his Prime Minister, Vladimir Putin, as acting President. Many Russians welcomed the news. Putin projected an image of a strong, competent leader by vowing to stamp out corruption and to defeat the rebel forces in Chechnya.

Since 1999, Putin has won two presidential elections handily. President Putin has also taken numerous measures to strengthen his power. While some argue that these steps are necessary to manage the difficult challenges on Russia's agenda, others worry that President Putin is steering Russia toward a less democratic and more authoritarian state.

The new Russian state began its life without a stable political system. Unlike the United States and other mature democracies, Russia lacks a tradition in which two or three well-established political parties compromise and share power. As many as thirty different parties competed in the 2003 parliamentary elections.

Nonetheless, the three presidential and parliamentary elections have established political standards for Russia. Most election observers agree that there has been little fraud in counting the ballots, and the results have been accepted without violence. Nevertheless, independent observers note that President Putin and the political parties that support him benefited unfairly in the most recent campaigns because the state controls the most influential national television channels.

A healthy turnout at the polls for the 2003 parliamentary race and for the 2004 presidential race suggests that Russian voters value their democratic right to elect their leaders. In fact, 87 percent of Russians surveyed believe it is important that a country's leader be democratically elected. More than 85 percent stated that freedom of the press, expression, and conscience were important to them.

What role have the oligarchs played in the Russian political process?

Political competition in the new Russia has often revolved around clashes among Russia's wealthiest men—often referred to as the oligarchs. For the oligarchs, politics is less about issues and ideas, and more about control of Russia's key industrial, financial, and military institutions. After the Soviet Union disintegrated, Russia's most powerful oligarchs put together wide-ranging business empires by snapping up formerly state-owned enterprises. These early winners in Russia's economic transformation took advantage of privatization (a process to place state-run companies in the hands of private owners) to gain a stake in profitable companies.

The process gave government and industry officials from the Soviet era an inside track. In many cases, they were allowed to buy valu-
In the summer of 1996, the United States' Supreme Court ruled in the case of Consolidated Edison Co. of New York v. Public Service Commission of New York that the rate structure of electric power companies was not discriminatory and that the companies were not required to provide lower rates to industrial customers compared to residential customers. This decision overturned earlier rulings that had found the rate structures to be unlawful.

However, the decision did not end the debate over the fairness of electric power rates. Critics argued that the justices had ignored the environmental impact of industrial power usage and the potential for pollution.

In response to these concerns, Congress passed the Public Utilities Regulatory Policies Act of 1978, which established the National Energy Policy Subcommittee within the House of Representatives. The subcommittee was given the task of examining the nation's energy policies and recommending changes to address the growing concerns about energy efficiency and conservation.

The committee heard testimony from experts and stakeholders, including representatives from the electric power industry, environmental groups, and consumer advocacy organizations. The hearings revealed a range of perspectives on the importance of energy conservation and the need for greater investment in renewable energy sources.

The committee ultimately issued a report that called for a comprehensive approach to energy policy, including increased investment in research and development, expanded use of renewable energy sources, and the development of new technologies to improve energy efficiency. The report also recommended increased regulation of the electric power industry to ensure that companies were meeting their obligations to conserve energy.

Despite these recommendations, the report was not widely adopted by Congress. The political landscape of the time was marked by a focus on economic growth and job creation, and lawmakers were hesitant to support initiatives that might slow economic progress.

As a result, the recommendations of the committee were largely ignored, and the energy policies of the time continued to prioritize economic growth over environmental sustainability. This decision has been criticized by many, who argue that it has contributed to the current energy crisis and the growing concerns about climate change.
How did violence in Chechnya help increase Putin's popularity?

In the fall of 1999, fighting flared up again between Russian troops and Chechens. Two incidents provoked a strong response from Moscow. Islamic rebels from Chechnya invaded the region of Dagestan. In addition, the government blamed Chechens for a series of bomb explosions in Moscow apartment buildings that killed several hundred Russians. This action convinced Russia that the war should be fought vigorously. Vladimir Putin increased his popularity by leading a more aggressive campaign against the Chechens.

Russia’s use of massive military force in Chechnya has resulted in the widespread displacement and deaths of civilians. Allegations of human rights abuses by Russian troops have also brought Putin’s government under criticism from the West. The Russian government claims that the Chechens are fighting alongside the Chechens and that Russia has little choice but to respond forcefully. Since the terrorist attacks in the United States of 2001, Washington has muted its earlier criticisms of Russian policy in Chechnya.

“The situation in the [Chechen] republic has become complicated to such a level that the territory has become a springboard for the expansion of international terrorism into Russia.”

—Vladimir Putin, Russian President

Russian anger about Chechnya is likely to continue to grow. One hundred hostages held by Chechens died at a Moscow theater in the fall of 2002 during a rescue attempt by Russian authorities. The Chechen massacre of more than three hundred school children in September 2004 in the city of Beslan provoked further outrage throughout Russia against Chechens. A sense of humiliation and resentment has crept into Russian society, as Russians are fed up with the government’s inability to end the war. President Putin has vowed to pursue terrorists and wipe them out wherever they may be.

Coping with Economic Change

At the center of Russia’s political storm has been the country’s economic crisis. Since 1989, when the old Soviet economy began turning sharply downward, Russia’s economic output has shrunk by over half (twice as deep a drop as America suffered during the depression of the 1930s). Private ownership has largely replaced state control as the foundation of the economy. A handful of Russians have amassed fortunes in the transition, while the great majority have seen their living standards plunge.

Much of the old Soviet economic system was torn down in the months following the failed coup of August 1991. The initiative at the time belonged to a group of bold economic reformers. With the help of advisers from the United States and other Western countries, the reformers drafted a program known as “shock therapy” to lay the groundwork for a free-market economy in Russia.

What were the components of shock therapy?

The most important changes began in January 1992. The government lifted price controls on 90 percent of the goods sold in Russia. Policymakers slashed government spending and drew up plans to place state-run companies in the hands of private owners. The “Boys in Reeboks,” as the team of economic advisers was called, realized that many of the inefficient, state-run factories that had been kept alive during the Soviet era would have to close or drastically trim their work forces. They predicted that free-market competition would give rise to new companies and generate new jobs.

President Yeltsin’s popularity at first overwhelmed many of shock therapy’s opponents. By the summer of 1992, however, the factory managers, farm directors, and other defenders of the old Soviet economic system were ready to fight back. The main point of contention was the budget. The reformers favored cutting government subsidies to state-run industries. Their opponents countered that the reform plan would result in economic chaos.
How did disagreements over economic reforms cause problems for Russia? The shock waves from Russia's initial economic reform, which was widely supported after 1992, but without bringing about the changes that economic reformers had anticipated, led to the fall of the Yeltsin government. The Yeltsin government wanted to put in place a free market economy, but the changes were not working. The shock waves from the Yeltsin government's collapse proved unable to put the free market economy in place. At the insistence of the central government, basic services such as education, health care, and road maintenance were restored to their previous levels. However, the government could not afford to pay for these services, and the budget problems caused by the collapse of the Yeltsin government were inherited by the Putin government. Putin's economic reform program was designed to bring Russia back to a stable economy, but it was met with resistance from the Russian people. Putin's government was forced to cut back on social services, and the Russian economy remained in a state of crisis. The Russian people were frustrated with the high levels of unemployment and inflation, and the government was unable to provide the services that it promised. The economic crisis in August 1998 was the result of these problems, and it caused a drop in the value of the Russian ruble. The crisis was exacerbated by the collapse of the Yeltsin government, which had been expected to bring about a free market economy. Putin's government was forced to cut back on social services, and the Russian economy remained in a state of crisis. The economic crisis in August 1998 was the result of these problems, and it caused a drop in the value of the Russian ruble. The crisis was exacerbated by the collapse of the Yeltsin government, which had been expected to bring about a free market economy. Putin's government was forced to cut back on social services, and the Russian economy remained in a state of crisis. The economic crisis in August 1998 was the result of these problems, and it caused a drop in the value of the Russian ruble. The crisis was exacerbated by the collapse of the Yeltsin government, which had been expected to bring about a free market economy. Putin's government was forced to cut back on social services, and the Russian economy remained in a state of crisis.
rising dissatisfaction with worsening economic conditions, changed prime ministers three times in a year, before settling on Vladimir Putin in August of 1999. Putin succeeded Yeltsin in the presidency in January of 2000.

*What are the economic challenges facing President Putin?*

The economic challenges inherited by President Putin are considerable. After years of reform, all but a few vital sectors of Russia’s economy, such as defense, nuclear energy, and transportation, have been placed under private ownership. Russia’s integration into the world marketplace doomed many of the country’s manufacturing industries.

Virtually gone are the industries that once produced household electronics, textiles, and other consumer goods for the closed Soviet market. In most cases, Russian factories have been unable to compete with the flood of foreign imports. They have also lacked the funding to improve quality and increase productivity. Spending on research and development in Russia has fallen fifteen times from the level of the Soviet era. The decline in funding for basic science has been even steeper.

In addition, the infrastructure built during the Soviet era has been neglected and is in need of repair. For example, the electrical power system is in a state of disrepair. Unless significant investment is made, Russia will face critical shortages of electricity in the coming years.

Government regulations have often made life difficult for new businesses. In the past, Russian tax laws and bureaucratic red tape often drove small entrepreneurs out of business or into the black market. Requirements for licenses, permits, and other documents have prompted frustration and bribery. In response, President Putin has simplified the tax code and attempted to crack down on corruption.

Finally, the government’s failure to regulate Russia’s new banking system has stunted the development of crucial financial services. Few Russians use credit cards or maintain checking accounts.

*Is there hope for the Russian economy?*

There have been positive trends for the Russian economy since the chaos of 1998. Although the future is uncertain, Russia enjoys economic advantages that may eventually pay off. The country has a well-educated workforce and a large market for local businesses. The framework of Russia’s financial and legal system, while shaky by Western standards, is slowly being strengthened and puts Russia ahead of China and other industrializing economies.

**The Economy and the Environment**

The Soviet past has been an especially heavy burden for Russia’s big industrial firms. The closed nature of the Soviet economy discouraged technological innovation, leaving many Russian factories with outdated and inefficient equipment. Moreover, Soviet industry was particularly wasteful of raw materials and energy. For example, the Soviet Union used 80 percent more steel than the United States, even though its economy was less than half the size of the U.S. economy.

The Soviet system led to nightmarish pollution as well. In many areas, industrial wastes were dumped untreated into rivers and lakes. Sixty-one million Russians already live in environmentally dangerous conditions. In 120 Russian cities, air pollution levels are five times higher than acceptable, according to Russia’s own standards. One million tons of oil leak out of pipelines and into Russia’s soil and water every month. The Russian news agency Tass reports that 30 percent of Chochnya is an ecological disaster zone. Until recently, cleaning up the environment has been overshadowed by the demands of the marketplace. In late 2004 Russia ratified the Kyoto Treaty, an act which will require the country to meet specific environmental standards over time. Russian industry will be compelled to make changes in order to meet the standards.
Post-Soviet Politics

In the wake of the collapse of the Soviet Union, the question of how to transition to a market economy and democracy is at the forefront of the political agenda in many former Soviet states. The transition period has been marked by economic challenges, political instability, and social unrest.

The challenges of transition have been exacerbated by the legacy of the Soviet economic system, which was based on central planning and state ownership. The transition to a market economy has required a fundamental shift in economic thinking and policies.

The transition has been characterized by a number of challenges, including:

- Economic reform and privatization
- Political transition and consolidation
- Social and cultural change

These challenges have been addressed through various strategies, including:

- Transition aid from international organizations
- Economic and political reforms
- Socio-cultural programs

The process of transition has been uneven, with some countries making more progress than others. Despite the challenges, there are examples of successful transitions, such as those in Eastern Europe.
Why has life expectancy decreased in Russia?

Mortality rates for working-age Russians are now higher than they were a century ago. Life expectancy for Russian men has steadily fallen since the collapse of the Soviet Union. The average Russian boy born in 2004 is expected to live only sixty years (as compared to seventy-two years in the United States). Health experts blame high rates of smoking and alcoholism, but they also report a growing failure to vaccinate children against preventable diseases and an increase in birth defects that may be linked to the environmental abuses of the Soviet era. HIV/AIDS, other sexually transmitted diseases, and tuberculosis are spreading rapidly and pose a significant threat to public health.

Not only has life expectancy declined, the birth rates have dropped as well. Russians, not sure of a secure future, are simply not having children. In the first four months of 2000, deaths outnumbered births by a factor of nearly two-to-one. If this trend continues, and experts think that it is not easily reversible, Russia’s population could shrink by one third to 100 million by 2025.

At the pinnacle of Moscow society, the city’s newly rich have carved out a life of luxury and exclusivity for themselves. Moscow, as well as other big Russian cities, is dotted with private social clubs. For annual dues of several thousands of dollars, members enjoy casino gambling, gourmet dining, cabaret performances, striptease shows, and even cockroach races.

"Ordinary Russians do not understand what it [capitalism] means. What they see are the rich seizing power."
—Tatyana Tolstaya, Russian writer

In human terms, the losers in Russia’s economic transformation far outnumber the winners. According to some estimates, 40 percent of the country’s population lives below the poverty level. Women, elderly pensioners, and farm workers have been especially hard hit. High rates of malnutrition, disease, and alcoholism have the country heading for a serious health crisis.

Russia and its Neighbors

The new Russia occupies a unique position in world affairs. Its nuclear weapons and huge military are the legacy of a superpower. The worldview of its policymakers has been shaped by centuries of Russian expansion in which Russia’s position in the world was the focus of government. Yet, the economic limits of today’s Russia have deprived Moscow of the means to pursue an assertive foreign policy.

Why did Russia initially overlook its ties with other states of the former Soviet Union?

Following the Soviet collapse, Russia initially sought to build new bridges to the West. The emphasis on close relations with the West led the Yeltsin administration to overlook its ties with the other states of the former Soviet Union (FSU).

While Russia neglected its former Soviet neighbors, the full impact of the Soviet Union’s disintegration hit home. Under the Soviet system, the republics had been linked economically not only to Moscow, but to each other. Without a framework to sort out economic relations, many of the ties that had held together the Soviet economy unraveled. Russian factory directors were suddenly cut off from vital supplies of parts and raw materials. Trade among Russia and the other FSU states plummeted, contributing in large part to the region’s economic crisis.

With respect to defense, Russia lost possession of radar stations, air bases, and other key military installations located elsewhere in the FSU. These facilities had been deliberately built on the periphery of the Soviet Union to protect the heartland of the country from attack.

Meanwhile, Russia’s borders with its
have indeed been intended. But the question —

NATO's response thus far has been tepid and

America's commitment to European defense

has not been as robust as it was during the Cold

The situation with respect to the extension of the

NATO-Russia relationship to Eastern Europe is

impacted by the broader geopolitical context of

Russia's actions in the region, particularly its

involvement in Ukraine and Georgia. These

 developments have raised concerns about the

long-term stability of the transatlantic alliance.

However, the United States and NATO have

continued to work together to address these

issues and maintain the integrity of the

alliance.

The future of the NATO-Russia relationship

remains uncertain, but the recent developments

highlight the importance of continued dialogue

and cooperation between the two parties.
has been holding regular exercises in Ukraine, which Russian officials see as a worrisome trend.

In December 2004, in a highly contested election, Ukraine elected Victor Yushchenko who defeated the Moscow-backed candidate. Before the election, Yushchenko had been poisoned, presumably in an attempted assassination. Yushchenko had lost a first round of voting in November, a result international observers found to be fraudulent. Protestors gathered in Ukraine’s capital Kiev and demanded that the voting be held again. The protestors succeeded in forcing a second round of voting in December 2004. Many in the Russian press felt that Yushchenko, who backed closer ties with Europe, and the protestors were financed and supported by the United States and other European countries.

Kazakhstan: Similarly, Russia has given ground in its relations with Kazakhstan. As in Ukraine, Kazakh attitudes toward Russia are colored by a complicated history. The Kazakhs, like the other Muslim peoples of Central Asia, were conquered by Russia in the 1800s. Almaty, Kazakhstan’s largest city, was founded as a Russian military garrison in 1854. Under Soviet rule, Russians came to dominate Kazakhstan’s major cities, key industries, and the area around the Soviet Union’s most important space complex at Baykonur. Northern Kazakhstan was almost entirely Russian.

Since gaining independence, Kazakhstan has joined Russia in promoting military cooperation among the former Soviet republics. Kazakhstan’s long-term goals, however, do not match those of Russia. Kazakh leaders have sought to distance themselves economically from Russia. They have eagerly embraced Western partners, such as American oil companies, to develop their considerable energy resources. They have also taken steps to block Russian investment in their newly privatized firms.

Within their government, Kazakh leaders have replaced Russian officials with their own people. Kazakh has replaced Russian as the official language. The policies have sparked protest within Kazakhstan’s Russian community, which makes up 35 percent of the population.

How successful have Russia’s efforts been to assert its economic interests elsewhere?

Elsewhere in the FSU, the efforts of Russia to assert its economic interests have likewise met limited success. In the energy-rich Caspian Sea Basin, Russia is locked in competition with the United States, Western Europe, and Turkey. The West has lent its support to the efforts of Kazakhstan, Azerbaijan, and Turkmenistan to break out of Russia’s orbit. Western companies have pumped billions of
Russia's economic and military strategy has changed significantly since the end of the Cold War. While the former Soviet Union was a superpower, Russia is now a rising regional power. The country has invested in modernizing its military, particularly in air and missile defense. This has allowed Russia to project power beyond its borders, influencing events in Eastern Europe and the Middle East.

In recent years, Russia has also sought to strengthen its ties with countries in the Middle East, particularly Syria and Iran, which has heightened tensions with the West. The country has also been active in Western Europe, with a focus on energy and arms deals.

However, Russia's economic situation remains difficult. The country continues to face challenges in areas such as corruption, political instability, and limited economic diversification. This has led to a reliance on oil and gas exports, which can be volatile and dependent on global prices.

Overall, Russia remains a significant player on the global stage, both economically and militarily. It continues to navigate a complex international environment, balancing its interests with those of its neighbors and the broader international community.
plants and developing Iran's natural gas reserves.

Relations between the United States and Russia hit a low point following NATO military action in Kosovo against Serbia in the spring of 1999. The war-torn Balkan region has been a point of contention between Russia and the United States since the mid-1990s. Russia has historically been a protector of the region's Serbs who share the Orthodox Christian faith of Russia. In contrast, the United States has held Serb leaders in Yugoslavia and Bosnia primarily responsible for much of the region's violence. In spite of these differences, U.S. and Russian troops have worked successfully together in United Nations peacekeeping missions in Bosnia since 1995 and Kosovo since 1999.

How did the events of September 11 affect U.S.-Russian relations?

Since September 11, 2001 the relationship between Russia and the United States has undergone a significant change. Russia has shared valuable intelligence information with the United States, provided military support in Afghanistan, and even allowed U.S. planes to be based in the former Soviet Republic of Kyrgyzstan. This unprecedented cooperation has affected other aspects of the U.S.-Russian relations as well.

Until recently, Russia had described the ongoing Chechen war as a war against international Islamist terrorists, while the United States had considered it an excessive use of military force and criticized Russia for continuous gross violations of human rights. Since September 11, however, U.S. criticism of the Russian campaign in Chechnya has been muted.

President Putin seems determined to become a strategic partner of the United States. He has strived to maximize cooperation and to minimize disagreement on sensitive issues. For instance, there have been more breakthrough agreements on nuclear weapons. Additionally, Russia has offered to supply oil through Alaska to help reduce U.S. oil dependence on the Middle East. The European Union already depends heavily on Russian natural gas. However, not all Russians share President Putin's enthusiasm for a new relationship with the United States.

What current difficulties remain between Washington and Moscow?

In spite of the improved climate between Washington and Moscow, several unresolved issues remain in U.S.-Russian relations. These include questions surrounding NATO expansion as well as Russia's relationship with its neighbors. NATO's most recent expansion in 2004 concerns Russia. Some also believed that the U.S. withdrawal in 2001 from the 1972 Anti-Ballistic Missile Treaty would lead to a deteriorating relationship.

Policy toward Iraq has been a leading source of controversy. Since the United States led an international coalition to victory over Iraq in the Persian Gulf War in 1991, dif-
How does Russia view Japan and China?

In the coming days, consider a range of alternatives for Russia's future. The three viewpoints, or Futures, that you will explore in the next part of this unit are written from a Russian perspective. Each is based on a distinct set of values and beliefs about the appropriate economic system, political structure, and foreign policy strategy for Russia. You should think of the Futures as tools designed to help you better understand the contrasting political philosophies from which the Russian people may choose.

At the end of this unit, you will be asked to create a Future that reflects your own beliefs and opinions about where Russia should be heading. You may borrow heavily from one of the Futures, or you may combine ideas from several Futures. Or you may take a new approach altogether. You will need to weigh the risks and trade-offs of whatever you decide.
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