

## **Botschafter i.R. Dr. Friedrich BAUER**

In the years 1990-2000 many changes have taken place in Russia - none of which corresponded to historical traditions. The elites were hit by the changes unprepared, not to mention the "common people". These upheavals were power political ones (the ruin of the Soviet Union), economic changes (from planned economy to market economy) and changes in governance (from dictatorship to democracy), which affected interpersonal relationships on a psychological as well as on a mental level (impoverishment, collapse of the certainly deficient but area wide Soviet health care and social security system). All these changes happened at once and with not always foreseeable consequences. There was no text book for it. Only against this background, can the most recent Russian history be understood.

In any case, the same development has taken Western Europe at least 100 years.

The first, still system compliant steps towards democracy were taken by Gorbachev. With *glasnost* (openness): one could speak and write freely; with the half competitive elections to the Congress of People's Deputies in March 1989; with the planned restructuring of the centralized state into a federation with considerable changes in competences in favour of the Soviet Republics and the admittance of free presidential elections in the most important state, Russia.

From these elections Boris Jelzin emerged victorious in June 1991. Among the first measures he took was the suspension of tax transfer to the centralized state. Gorbachev's reconstruction plans were constantly undermined.

With the failed coup in August 1991 the power of the whole state fell to the Russian President. On December 8<sup>th</sup>, 1991 the Presidents of Russia, Belarus and the Ukraine resolved upon the dissolution of the Soviet Union. This was a "revolutionary" violation of the constitution, which was only subsequently reconstructed by a troublesomely effectuated decision of parliament.

Jelzins premier Gajdar, advised by home grown charlatans ("500 days to market economy") and Jeffrey Sachs with his "Harvard Boys", deregulated at the beginning

of 1992 prices for all goods, the only exception being bread and energy. The consequence was an inflation of 3000% in the following two years, about 4% currency devaluation per day. It annihilated the modest savings and led to the impoverishment of a majority of the population. The little thought out privatization brought about the establishment of bases for immense assets. Some of them were absolutely legal. The abolishment of Soviet laws of economy and the unconstrained licensing of export of natural resources like oil, gas, gold, diamonds etc. made that possible. Coupon privatisation led to the accumulation of capital in the hands of some nimble individuals and insider groups, tax defraudation and exodus of capital, approximately 1 billion USD per month, were on the agenda. Of course, all of this would not have been possible without western partners. According to an American observer, the average Russian citizen had to worry about getting bread and potatoes every day rather than about how he is governed. The discredit of democracy and market economy began.

In 1993 protest against the shock reform and the authoritarian, erratic exercise of power by Jelzin began to emerge in the Congress of People's Deputies. On September 21<sup>st</sup>, 1993 Jelzin dissolved the parliament by *Ukas*. This was a violation of the constitution. The conflict was settled by tanks firing at the White House. In December 1993 elections were held, in which the radical reformers were crushingly defeated. At the same time Jelzin – and therefore all his successors – received, by a referendum for a parliamentary constitution, a position with so pre-eminent powers, they even went beyond the possibilities of the US President.

At the end of 1994 the war in Chechnya and the erosion of *glasnost* began. It was tried to censor the well known poet Soltschenyzin and the human rights activist Kowaljow. Almost simultaneously the IMF granted a credit of 6 billion USD, which drained away in the war budget.

In 1996, Boris Jelzin, who was obviously in poor health, won the presidential elections and defeated his communist opponent Sjaganow with the money of the Oligarchs. They granted a loan to finance the electoral campaign and the consultations of the election manager recommended by President Clinton, in return receiving the option to acquire shares of state owned enterprises, for rates far below

their actual value. From then on, Jelzin was completely in the hands of the Oligarchs. An American comment: "Bill cared more about Boris than for the Russian democracy". A headline of the German news paper "Die Zeit" said: "A dirty democracy".

This second term has neither been beneficial to the sick and overstrained Boris Nikolajewitsch Jelzin, nor to broken down Russia. The history until Jelzins resignation at the end of 1999 is quickly told. It can at best be referred to as "ruling by chaos". The economic downswing continued, even though not quite as rapid, and so did impoverishment. On August 17<sup>th</sup>, 1998 the bubble burst. The Asian crises swept over. The crash happened. The Russian ruble was devaluated by 50%, the state went bankrupt, local and foreign investors lost money, bankruptcies destroyed jobs. In the years 1996 to 1999 there were five premiers, three of them coming from the KGB: Primakow, Stepaschin and Putin. The first *Ukas* of Putin was directed to granting immunity to Jelzin and his family. This was the end of the era Jelzin. The presidential regime continued, and so did the problems.

Without wanting to interfere with the next speaker's statement, I would like to make Putins understanding of his office clear: "Democracy should not go hand in hand with the breakdown of the state and the impoverishment of its population. I am convinced that democracy has nothing to do with anarchy or laissez-faire."