

THE SOURCES OF PUTIN'S REGIME: TRACES THAT LEAD INTO THE 1990s

Vladislav Inozemtsev *

The parliamentary elections of September 18th, 2016 in Russia, although they allegedly were marked by many cases of fraud and false counting, forcefully showed that the protests that shook Putin's stability in 2011 and 2012, completely run out of steam. Once again, the same four parties that were allowed to secure their seats in the Duma back in 2007 and 2011 got control over the parliament while the *United Russia* secured a constitutional majority of 343 deputies out of 450. So one may say that today the Russian party system resembles the one that existed in the GDR when Mr Putin was happy enough to spend much of his time in Dresden.

But the *United Russia's* result, which was one-and-a-half time more 'impressive' than in 2011, had not produced any public disagreements, not to say rallies. Contrary to the previous elections, the last one featured a lot of opposition-minded politicians who were allowed to campaign on both local and the national level but all ended with very poor showings. So it wouldn't be an exaggeration to say that the opposition leaders (all of which started their political career in the 1990s) lost a huge part of their support with the Russian public – and I would suggest that it was due not so much to Mr Putin's 'Crimea effect' but rather to the growing understanding that the opposition leaders that were running their political parties for so long are unable to produce meaningful strategies the country may benefit from.

Of course, quite few anti-Putin activists will recognize it publicly, but I believe we should embark on a serious discussion about why Mr Putin hijacked the Russian politics in such an unreserved manner and why there are no signs the country he rules for more than fifteen years desires some change. For giving a start to such a debate I would argue that the opposition is not trusted enough first of all because it were the people who now are trying to take on Mr Putin who prepared Russia's political system for his rise and facilitated his advance to the top. So even Mr Putin likes to contrapose the role and meaning the 1990s and the 2000s played in Russia's history, there is much more of continuation between these two periods than of difference and division.

Vladislav INOZEMTSEV (1968), Professor of Economics and Director of the Center for Post-Industrial Studies in Moscow is currently an Austrian Marshall Plan Foundation Fellow with the School of Advanced International Studies at Johns Hopkins University in Washington.

Of course, no one would disagree that Mr Putin was very well enrooted in the political elite that emerged in Russia in the 'reformist' years. He made his political career in close vicinity to Mr Sobchak, a democratically elected St. Petersburg mayor. It was Mr Yeltsin who appointed him to serve as the director of the Federal Security Service. There were oligarchs, first of all Mr Berezovsky, who supported his candidacy as Mr Yeltsin's successor. His enormous presidential powers which allowed him to transform Russia in current years, were vested in the 'super-Presidential' Constitution drafted in 1993 by Mr Shakhrai and Mr Sheinis, two outspoken pro-democratic politicians. But I would argue that there were much more important economic, political, and societal grounds for Mr Putin to arise as a 'natural' leader of the country, and all of them were laid down in the 1990s – so now those who had occupied the upper positions in the bureaucratic hierarchy at that time have no reasons to complain about Putinism becoming contemporary Russia's basic political and economic doctrine.

1. Economic foundations.

The majority of those who are trying to connect Mr Putin's success with the economic history of modern Russia, do emphasize the importance of the devastating effect of the early market reforms on the peoples' well-being and the economic developments in general. The main argument consists in mentioning the fact that by the end of the 1990s the Russians become extremely tired of the decline in living standards, rapid inflation, constant devaluation of the ruble, growing unemployment, and surging income inequality. Mr Illarionov, a respected economist who served for several years as Mr Putin's economic advisor, openly blames the reformers of the 1990s for neglecting the peoples' needs and conducting the reforms in a way that caused a 35 percent economic contraction, pushed close to a half of all citizens below the poverty line, and created an oligarchic economic structure¹. All this, they argue, produced a quest for a more 'organized' economic environment and made Mr Putin's rhetorics welcomed by a huge portion of the population.

It might be true, but I want to focus on a different trend which stood at the core of the market reforms of the 1990s and produced much more reasons for Mr Putin to take over – on Russia's privatization program.

Privatization of the state-owned assets that took place in Russia in the 1990s and was often considered as 'piratization' of the country² in both of its forms (the one conducted through distributing 'vouchers', or 'privatization cheques', and the other, based on loans-for-shares deals) assumed that the price new investors paid for the Soviet-build enterprises was extremely low (if one reminds of the famous loans-for-shares auctions organized in 1995, the Russian financiers acquired cont-

¹ See: Illarionov, Andrey. 'What Mr Gaidar and Mr Chubais have accomplished: 21 theses (in Russian)' at: <http://aillarionov.livejournal.com/808619.html> (retrieved on October 22, 2016).

² See: Goldman, Marshall. *The Piratization of Russia: Russian Reform Goes Awry*, London, New York: Routledge, 2003; see also: Freeland, Chrystia. *Sale of the Century: Russia's Wild Ride from Communism to Capitalism*, New York: Crown Business, 2000.

rol over such companies as *Yukos*, *Norilsk Nickel*, *Sibneft* and *Sidanko* (later *TNK*) for a mere \$560 m, while in 2003 *Yukos* was valued at \$36.3b, *Sibneft* was sold to *Gazprom* in 2005 for \$13.1b, and *Rosneft* paid for *TNK-BP* a staggering \$54.8b in 2013. I would not argue that it was ‘unjust’ – much more important is the fact that new owners got enormous competitive advantages vis-à-vis any ‘greenfield’ investors that might be interested in developing new businesses in one or another sectors of the Russian economy. If one looks on how the Russian economy performed afterwards, it may be seen that growth originated from sectors barely touched with the privatization: in telecoms and internet providers; financial services and banking, in retail trade and logistics, personal services, etc. – but not in the industrial core of the Russian economy. The privatized companies appeared unable even to match the Soviet-era levels of natural gas and oil production through the 2000s. Privatization produced a reliance on Soviet-time assets, and because of it Russian economic performance differs so much from China’s where the state kept its enterprises but encouraged both domestic and foreign investors to develop new industrial facilities and to compete with state-owned ones. The result seems obvious: while in China only 4 of 100 top-cap companies possess the major part of their fixed assets dated from 1989 or earlier, in Russia 74 out of 100 largest companies are crucially dependent from Soviet-era assets and technologies³. While China’s industrial production grew 11 times since 1995, there were only one new oil-processing factory and two new cement plants put into operation in Russia since the start of country’s famous ‘piratization’ while more than 1,000 huge Soviet-era industrial enterprises were shut down during Mr. Putin’s years only.

All this resulted in a completely different nature of the Russian economy of the 1990s and 2000s: the main efforts undertaken by the new owners of Russia’s core assets were not those which might be aimed on their development and enhancing but those directed on their ‘restructuring’ into different holdings, regrouping them and selling them on the highs of the stock market fluctuations while sometimes buying back during the crises. This idea of redistribution rather than development became a core obsession of post-privatization Russia, and it became a good basis for the rise of the State which major capabilities were either to sell and to buy huge assets, or to enforce their redistribution through the ‘law enforcement’ procedures. During the 2000s less than 12 percent of all criminal investigations against entrepreneurs were brought to the courts, since the companies either agreed to bribe the officials or were overtaken by those who orchestrated and ordered the prosecution. So I would suggest that the ‘redistributive economy’ that arose out of the early Russian reforms in the 1990s, paved the way to a ‘redistributive state’ that came into being in 2000s, and the market reforms in general seem as they were designed for not to overcome the grip of the bureaucracy over Russia’s national economy, but rather to make it much more flexible and effective than it was ever before.

³ See for more details: www.riarating.ru/infografika/20130201/610536030.html, compared to www.forbes.com/global2000/list/3#country:China (both sites retrieved on May 16, 2015).

Therefore my first point is that Russian economy was and is the ultimate fertile ground for Putin's authoritarianism: all the big companies are operating either as agents of the state or are entwined into the state-led economy; the population is highly dependent from the state budget, and the latter from the primary industries; in a redistributive economy the state apparatus sees its powers expanding; and this structure, first invented on the federal level, has been replicated in the regions. So the best strategy of survival is to obey the rules and to declare that government may freely take away all your assets whatever it may wish to do so. Such a system became the first pillar of Putinism, being built from 1990s onwards.

2. Domestic political tactics and ideology.

Many Russian 'democrats' and their sympathisers in the Western countries use to believe that liberal democratic order in Russia, close to being built by the early 2000s, was later dismantled by Mr Putin and his KGB aides. I would strongly disagree citing several rather obvious points.

If one looks back on the elections held in Russia in the past quarter century, she or he may realize that the most democratic of them actually occurred not in Russia, but rather in the Soviet Union. The classical definition of democracy implies a feature that points on the possibility for a peaceful change of a person or of a party being replaced on the top through a fair election process. Such a change occurred in Russia only once, in 1990 and 1991, when the Communist elite was defeated in first parliamentary and later presidential elections. But after 1992 there was no any case for the ruling party or leader to be defeated in such a sense. The parliament was effectively controlled by a pro-Kremlin party or coalition since 1993, and the presidents changed themselves only through some 'succession appointments' camouflaged by electoral processes.

It was not 'autocratic' Mr Putin who launched an attack against the elected legislature at the time it accused the president by misuse of power, but 'democratic' Mr Yeltsin. There were not KGB-backed Mssrs. Sechin or Patrushev who drafted the 1993 Constitution but liberal minded lawyers like Mr Shakhrai and Mr Sheinis. It was not Mr Surkov with his rotten ideas of 'sovereign democracy' who led 1996 presidential re-election campaign, but 'ultraliberal' Mr Chubais. But all these efforts resulted in a profound negligence of the popular representation and of legislative power, and – which is much more important – in reformatting the people's attitudes on the basis of 'there is no alternative' principle. Democratic leaders who backed Mr Yeltsin bid in 1996 called the people to 'vote by your heart', consciously degrading both the role of any thoughtful choice being made in politics. If one has forgotten the tactics that was used in the same 1996 against Mr Zyuganov, the Communist challenger, she or he definitely must address the Russian TV programs of the time which were no less biased than the most perfect products of today's Kremlin propaganda. Even if the 1996 elections were not falsified, I would never say they were free and fair, and there should be no doubt they shaped the political culture of Russia well into the 2000s.

Moreover, all the ideas that are actively criticized today by the Russian liberals have their roots in the 1990s. Mr Putin's idea of seeking the traditional 'national idea' comes from Mr Yeltsin efforts that resulted in setting up a special commission on the drafting of Russia's 'national ideology' back in 1994⁴. The 1990s witnessed the revival of the Russian Orthodox church actively backed by the state who saw in the Church a strong element of its spiritual domination over the ordinary people. By the mid-1990s the unity between the state and church bureaucracy became so strong and solid that special permissions were issued by the local authorities allowing the businesses to channel money into religious charities which were considered as a substitute of local tax payments. I would say that this kind of policy was not only designed for making the people less critical to the state that, of course, possesses 'divine' roots of its powers, but also for embodying feelings of 'historical continuity' between a new, democratic, and an old, imperial, Russia.

This sense of continuity became a forceful means of transforming the Russian society in 2000s, being used for at least two different objectives. On the one hand, the very idea of praising the past has turned into a deep negligence for the future with the very ideas of 'stability' and 'conservatism' growing out from a presumption that the basic features of the Russian society are sound and moral, so therefore it's much better to stick to them than to look for something more contemporary and therefore controversial. I would even say that after late 1980s no one complex project for reforms and no one comprehensive vision of the country's future weren't created in Russia, so it remains a country looking back, not forward. On the other hand, if one takes into account that Russia never was a democratic nation, it's easy to predict that the obsession with history will result in praising the historical experience and historical figures. In the 1990s those honoured were Peter the Great and Stolypin, in the 2010s there are Ivan the Terrible and Stalin; in the 1990s the government officials payed tributes to the last Russian Czar Nicholas II and his family buried in St Peter and Paul Cathedral in St Petersburg in 1998, now the officials oversee the erection of monuments dedicated to Stalin and argue there were no 'excessive purges' in the Soviet Union in the 1930s.

So I would once again repeat that there were in the 1990s and not in the 2000s when Russia has begun to turn its back to the future and engage itself into different versions of 'rehabilitation of the past' which never was for Russia neither democratic nor liberal.

3. A long path towards an imperial revival.

Quite often Mr Putin is accused of crashing both the fragile elements of Russian federalism and self-rule and expanding Russia's sphere of influence wider into the

⁴ See: Yeltsin, Boris. 'On strengthening the Russian State: The Address to the Federal Assembly, February 1994' in: *Rossiyskaya Gazeta*, 1994, February 25, pp. 1, 3-4; 'Boris Yeltsin on the National Idea' in: *Nezavissimaya Gazeta*, 1996, July 13, p. 1 [both in Russian].

post-Soviet space using not only economic pressure but also hard military power. But even in this field there is a lot of lines that bind these developments with some of those that begun in the 1990s.

From its very beginning Russia – contrary to the Soviet Union – was a country with a profound sense of territorial integrity. While Mr Gorbachev presided upon the dissolving the USSR, Mr Yeltsin resisted any attempts of self-determination by the constitutive parts of the Russian Federation even many of these parts have the same grounds for declaring their independence since they have been at least for some time the same Soviet Republics as those who departed in 1991. Of course, Chechnya comes first to one's mind if the issue is addressed – and here a quite special stance of the Russian government might be seen. Mr Yeltsin started a war with the rebel republic in 1994, which went sour for the Russians suffering huge casualties for many months in a row. While some politicians argued the war must be stopped and some analysts believed Chechnya should be made independent⁵, the Russian political elite fought the Chechens till early 2000s when a new leadership was installed exchanging its formal loyalty to Moscow for increasing financial help some people now consider to be a Russian tribute⁶. I would remind that it was the same Mr Nemtsov who launched a bold attempt to collect one million signatures in support for the withdrawal of the Russian federal troops from Chechnya in 1996, who was brutally assassinated last year in the center of Moscow – so the regime proved it doesn't either forgive or forget its enemies.

But even more important was the fact that Russia fostered its imperial policies in the post-Soviet space as well. In 1992 a bloody conflict erupted in Moldova, where the Russian military had a strong presence at the time. The conflict resulted in a breakaway puppy state, a Transdniestrian Moldovan Republic, that Russia never formally recognized, but supported a lot since then. In 1992-1993 even more violent conflict plagued Georgian provinces of Abkhazia and South Ossetia, where Russia once again acted formally as a 'mediator', but actually as an active part of the struggle, that resulted in the losing of Tbilisi's effective control over both territories. The Russian policy vis-à-vis the post-Soviet states was called a 'doctrine of managed instability' long before Mr Putin took over the commanding heights in Russian politics⁷. The involvement into the affairs of the former Soviet republics was so intensive that it seemed only the matter of time for the Russian leadership to adopt even more radical (and predominantly 'hard power-driven') political agenda.

⁵ I was at the time one of those, see: Inozemtsev, Vladislav. "Que faire face aux Tchétchènes? Donner l'indépendance, comme de Gaulle l'a donnée aux Algériens" en: *Courrier international* [Paris], no. 723, 2004, Septembre 9-15, p. 38.

⁶ See: Yashin, Ilya. *A Threat to National Security*, Washington: Free Russia Foundation, 2016 (http://www.4freerussia.org/wp-content/uploads/2016/03/Doklad_eng_web.pdf) (retrieved on November 22, 2016).

⁷ For the history of the term, see: Kuznetsova, Ekaterina. "The Near-Abroad: More and More Distant from Russia" in: *Rossija v Global'noi Politike*, 2004, vol. 2, № 5, September-October, pp. 136-149 [in Russian].

I would go even further and mention that Russia greatly intervened into the affairs of neighboring nations. It cut the natural gas transit from Turkmenistan to Ukraine many years earlier than Mr Putin disrupted Ukrainian trade with Central Asian nations in 2016. It tried to prevent new oil and gas pipelines in the South Caucasus from being built in the mid-1990s with the same boldness it attempted to circumvent Ukraine as the transit country beginning from 2005. And even declaring Russia is a friend to Ukraine and safeguards its territorial integrity, Kremlin acted very straightforward when it allowed the Moscow major Mr Luzhkov to question openly the status of Crimea as a Ukrainian territory. Starting from 1994, Russia supported Russian-speaking and pro-Russia minded Crimean activists to the degree they begun forcefully denounce Crimea's belonging to Ukraine. Well before 2014, everything has been prepared for organizing pro-Russia upheaval in Crimea and Donbass. It should be mentioned as well that contrary to its own laws and procedures, the Russian government dispersed hundreds of thousand, and, probably, even millions of Russian passports among the residents of Transdnistria, Abkhazia, South Ossetia, Crimea and some other parts of Ukraine that makes it possible to argue that Moscow built the basis for hostile actions against its neighbors decades before these actions turned into a real 'hot' wars.

The ground for what is now known as the Eurasian Union was also laid in mid-1990s when the Russian political elite realized that the public was demanding for some proof the Soviet unity may be at least partially restored. If one believes Mr Putin was the first who used the 'integrationist' rhetoric declaring new efforts in consolidating the Eurasian Union in his 2011 article written in the midst of the election campaign⁸, she or he would be mistaken since long before Mr Yeltsin used the same kind of arguments advocating the creation of the United State of Russia and Belarus which came into existence in 1996 and helped to push up his ratings during the 1996 presidential elections. So, once again, even in these issues current Russian leadership elaborates the existed doctrines rather it changes the nature of the country's policy.

4. Foreign policy issues.

When president Gorbachev consolidated his position on the top of the Soviet ruling hierarchy, he proclaimed a policy of 'new political thinking' for both USSR and the world based on the idea of a comprehensive inclusion of the Soviet bloc into the Western civilization. One of its features was the concept of a 'broader Europe from Lisbon to Vladivostok' that actually became the basic idea behind the Paris Charter of 1990⁹. The new Russian government, however, significantly modified this concept from the very beginning; Mr Yeltsin was greatly interested in improving relations with the United States believing America is a 'more natural' ally to Russia than a collection of European countries. While during the last Gor-

⁸ See: Putin, Vladimir. "A New Integration Project for Eurasia: Future in the Making" in: *Izvestia*, 2011, October 4, pp. 1, 3 [in Russian].

⁹ See: <http://www.osce.org/mc/39516?download=true> (retrieved on November 22, 2016).

bachev years the intergationist tunes clearly dominated, in the 1990s the Kremlin spoke rather on 'partnership', and even not on the association, with the EU. The Partnership and Cooperation Agreement of 1994 between the Russian Federation and the European Union never mentioned the integration agenda¹⁰.

Beginning from the second part of the 1990s two new distinctive features of the current Russian foreign policy emerged – i.e. the country's support for different 'rogue', but presumably 'friendly', regimes even in cases it hurted the relationships with Russia's major partners; and its 'pivoting to the East' with a special attention to China as a new 'strategic ally' which importance was 'underestimated' for years. Since 1993 Russia declared itself a supporter of Mr Milosevic's Yugoslavia which was greatly responsible for a bloody war in the Balkans. The Russian prime minister Mr Primakov famously turned his plane back to Moscow being *en route* to Washington when he was informed in the upcoming NATO strikes on Belgrade in March, 1999. Later Russia ordered its troops to move into the northern regions of Kosovo coming quite close to an open engagement with the Western forces in the former Yugoslavia. The same Mr Primakov, serving as Russia's foreign minister in mid-1990s, produced a new strategic doctrine based on supposedly strong historical connections between China, Russia and India and proclaimed the 'Beijing-Dehli-Moscow axis' as the principal foundation for a 'non-Western dominated world of the 21st century'¹¹. Starting from late 1990s, Beijing became the favorite non-European destination for official visits by the Russian leaders.

So therefore I would argue that there is nothing new in a constant support Mr Putin displays for different autocrats, sometimes being old friends to the USSR, such as the late Mrssrs Castro of Cuba and Gaddafi of Libya, as well as for Mr al-Assad of Syria who succeeded even to get Russia on his side in the ongoing civil war in his country. Also I wouldn't say the Russian leaders of 2000s were original in their search for allies outside the Western world since long before they came to a conclusion that democratic nations are bad partners if it comes to strengthening bureaucracy's grip over the Russian society – so Russia's overall disillusionment in the Western values and politics was as predictable as its divorce with the democratic and liberal policies in general.



If one looks on today's Russia, she or he usually admits the 'personalistic' nature of the Russian polity and therefore believes in changes that might occur when (or if) Mr Putin is no longer the country's paramount leader. The main goal of this articles consists in confronting this simplistic approach and in arguing that even the end of Mr Putin's era may not turn into an end to Putin's Russia – simply be-

¹⁰ See: http://www.russianmission.eu/userfiles/file/partnership_and_cooperation_agreement_1997_english.pdf (retrieved on November 22, 2016).

¹¹ See: <http://www.kommersant.ru/doc/211101> (retrieved on November 22, 2016).

cause such an entity doesn't exist. What the world faces now is not Mr Putin's creation but rather an only kind of Russia that was able to arise from what was earlier the Soviet Union and the Russian Empire. The rise of an economy based on the absence of competition and innovation was as natural as the imperial revival and 'power vertical'. Even the strong pro-democracy movement of the 1980s and 1990s appeared to be not enough forceful for changing the nature of the Russian society and the Russian social attitudes – and the Russian elites were able to restore those patterns and structures that were familiar to them for decades and centuries, and no one should expect this to change any time soon for many obvious reasons.

The dramatic social revolution that ruined the Soviet Union in early 1990s, however unfinished it may seem, appeared to be a result of a huge wave of protests, into which the major part of the educated and self-made urban class was involved. The Soviet system benefited greatly to a small portion of the people and prevented so many from realizing their dreams, that it was unable to survive just because the Russians believed they can collectively join the free world. Since then the greatest result of economic and societal change was that it became easy for the people to join the free world one by one, or, using Zygmunt Bauman's words, to find out the 'individual solution to systemic contradictions'¹². The freedom of movement that was thought as a guarantee for change, actually prevented it since more than 6 million of self-made Russians left the country leaving the oligarchs and the bureaucrats to deal with each other as well as with the unorganized masses¹³. By giving the money to the first and the power to the latter, Russian reformers led their country into a historical dead-end without any recipe for escape.

Today's Russia is not only Mr Putin, it's a system that evolved in a single direction for the last quarter century – so it is extremely difficult to transform it, especially for those Western politicians who had not recognized the wrong path Russia was moving along during the major part of their political career.

¹² See: Bauman, Zygmunt. *Liquid Modernity*, Cambridge: Polity, 2000, p. 38.

¹³ About these processes see: Inosemzew, Wladislaw "Putins Freiheit" in: *Le Monde diplomatique Deutschland*, 2010, №10 (Oktober), SS. 1,16–17 and Inosemzew, Wladislaw. "Wer gehört zur 'russischen Welt'?" in: *Internationale Politik*, 2014, № 6 (November-Dezember), SS. 94–101.