



The  
Heritage Foundation  
**Executive Memorandum**

No. 522

April 6, 1998

## **YELTSIN'S GAMBIT: POLITICAL CRISIS IN MOSCOW**

*ARIEL COHEN, PH.D., AND EVGUENII VOLK, PH.D.*

On March 23, 1998, Russian President Boris Yeltsin sacked his entire government. Yeltsin appointed a political rookie, 35-year-old Minister of Energy Sergei Kirienko, as Acting Prime Minister, replacing five-year veteran Viktor Chernomyrdin, aged 59. First Deputy Prime Minister Anatoly Chubais, a leading economic reformer, was fired by special presidential decree and will not return to the new cabinet. Yeltsin apparently decided to keep others, including Minister of Foreign Affairs Yevgenii Primakov and Minister of Defense Marshal Igor Sergeev.

Kirienko must be confirmed by the State Duma (the lower house of Russia's parliament), a process that could take weeks. The ouster of Chernomyrdin, a known and predictable player, has heightened political instability and uncertainty. This is the last thing Russians wanted or needed. They now must wait to see whether Kirienko, a reformer, will be confirmed and what kinds of policies he will implement. The change at the top does not mean that differences between the United States and Russia over foreign policy will be resolved any time soon, however. President Yeltsin still remains firmly in charge of defense and security issues.

### **WHY? AND WHY NOW?**

A number of reasons have been advanced to explain Yeltsin's surprise move. The most important explanation for the firings is psychological: Yeltsin thrives on crises, but does not excel at routine tasks of running the government. The crisis generated political uncertainty and returned Yeltsin to the

limelight. Another important dimension is political: Frequently ill and away from government for long periods, Yeltsin increasingly looked like a lame duck. Chernomyrdin was busy positioning himself as heir apparent, garnering media and big money support. Yeltsin's key supporters were fighting: Chubais against Minister of the Interior Anatoly Kulikov; tycoon Boris Berezovsky against Chubais. Yeltsin cut the Gordian knot and emerged calling the shots.

Presidential politics also played a role in Yeltsin's decision. According to persistent media reports, and despite his public denials, Yeltsin is seriously considering running in 2000 for a third term. If the Constitutional Court—and his health—do not permit this, Yeltsin must consider possible successors. He is not ready to anoint one yet, however. Chernomyrdin officially announced on March 28 that he intends to run for the presidency in 2000. With only about 6 percent of popular support according to recent polls, however, Chernomyrdin remains a distant sixth in the field of contenders. Communist leader Gennady Zyuganov leads the pack, followed

---

Produced by  
The Kathryn and  
Shelby Cullom Davis  
International Studies Center

Published by  
The Heritage Foundation  
214 Massachusetts Ave., N.E.  
Washington, D.C.  
20002-4999  
(202) 546-4400  
<http://www.heritage.org>



by First Deputy Prime Minister Boris Nemtsov, Moscow Mayor Yurii Luzhkov, retired general Aleksandr Lebed, and Yabloko party leader Grigory Yavlinsky.

There is also the “Yeltsin legacy” explanation for the shakeup. Yeltsin was not happy with the pace and performance of economic reform. Both the Land Code and Tax Code are stalled in the legislative pipeline. Salaries have not been paid on time. Yeltsin wants to leave Russia more prosperous and stable than it was when he received it from the bankrupt communist rule in 1992. He may feel that he needs a new team of competent technocrats to do the job.

A final explanation for the shakeup involves the billionaire Berezovsky, who has emerged as an important mover and shaker in the Yeltsin Administration. Last summer, Berezovsky lost a bid to acquire 25 percent of the privatized shares of Sviazinvest, the Russian telephone carrier, which was awarded instead to Vladimir Potanin, director of the Onexim bank and an ally of Chubais. In May, the government will privatize another gem: 75 percent of the Rosneft oil company, valued at \$2.1 billion. Chernomyrdin and Chubais reportedly resisted a lower valuation of the stock, which would have allowed Berezovsky to acquire it. Moscow media speculate that the tycoon called in his chits with Yeltsin and had them fired.

### **THE FIRST BUSINESSMAN AT RUSSIA'S HELM**

Kirienko, a former business executive with a background in oil and banking, was brought to Moscow from Nizhnyi Novgorod by Nemtsov, a key reformer, less than a year ago. He was educated as a shipbuilding engineer and later received a graduate degree in finance and management. Kirienko began his career in the Young Communist League (Komsomol) and was a member of the Communist Party during the end of the Soviet period. Unlike Yeltsin, he never officially left the party. He is well-educated and pragmatic. Well-liked by his colleagues in the government as well as by foreigners, Kirienko's apparent lack of experience may raise serious opposition to his confirmation in the State Duma.

According to Russia's constitution, the State Duma can vote three times on a candidate for Prime Minister. If it rejects the candidate, the President is entitled to disband the State Duma and call for new elections. The deputies of the State Duma, who do not relish the prospect of being removed from office, eventually may confirm Yeltsin's choice.

### **THE OUTLOOK**

Kirienko will need a lot of luck and hard work to improve Russia's economic performance and make democracy and the free-market economy more secure. One of his key challenges will be achieving transparency in economic decision making, both in the government and in corporate boardrooms—especially important in view of the lessons drawn from the economic crisis in Asia. It is imperative to achieve the rule of law to boost the confidence of Russians in the workings of free markets and to attract a steady flow of foreign investment. The United States should wish Kirienko well and look for ways to assist him as he formulates his agenda. He may be a moderating influence in the Washington–Moscow nexus. As Kirienko manages the economic dimension of ties between the United States and Russia, he is likely to continue the policies of his predecessor.

Despite the dramatic changes in Russia's political field, some important aspects remain the same. Most conflicts between the United States and Russia lie in the realm of foreign policy and security: the supply of missile technology and nuclear reactors to Iran, support of Iraq, close cooperation with China, and the failure of the communist-dominated State Duma to ratify the START II arms control agreement. All of these policies are sanctioned by Boris Yeltsin and need to be taken up with him. Even in his frailty, Boris Yeltsin remains the true boss of Russia.

—Ariel Cohen, Ph.D., is a Senior Policy Analyst at The Heritage Foundation.

—Evguenii Volk, Ph.D., is Moscow Office Coordinator of The Heritage Foundation.