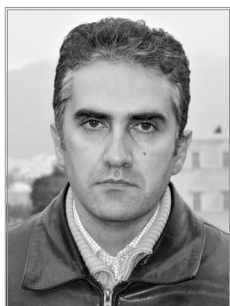


Article

ASPECTS OF THE TRANSITION PERIOD IN RUSSIA AND CYPRUS (1991-2004)

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The Russian Federation covers 17.045.000 square kilometres, has a population of 147.000.000 individuals and a national composition of 81,5% Russians, Ukrainians, Tatars, etc. It shares borders with Finland, Estonia, Latvia, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, China, and Mongolia and it has shores in the Northern Arctic Ocean, the Baltic Sea and the Black Sea. The regime of the Russian Federation is presidential democracy and the president is elected every six years by the citizens¹.

The Federal Assembly is constituted by two bodies, Duma with 450 members, who are elected for a five-year tenure, half of whom in uninominal regions and the rest with proportional representation of parties. The capital of the Russian Federation is Moscow and other important cities are Saint Petersburg, Novosibirsk, Krasnodar, Vladivostok, and Nizhny Novgorod. Administratively, Russia is divided into 85 administrative units.

Introduction

During the 17th and 18th century, under the sovereign of Peter the Great and Kathryn the Great, Russia became, one of the most powerful states in the European region and it was extended to the east by conquering Siberia and Central Asia. However it did not manage to become a State without economic and social inequalities, resulting in the increase of the dissatisfaction of masses during the 19th century, the urban revolution (1905) and a little later the revolution of the Bolsheviks (1917), which led to the predominance of the communists and the creation of the Soviet Union. During the internal conflicts in the Soviet Union, a number of neighbouring States

and regions (Georgia, Armenia, Azerbaijan, almost immediately afterwards 1917, Lithuania, Latvia and Estonia in 1940) annexed, creating the conditions in order to become a big and powerful State.

Something that was accomplished during the cold-war period, while Russia was supposed to be a superpower, having many satellite-States by her side and being in a competitive relation in every sector with the US. During the 1980 decade and after the policy that been followed by M. Gorbachev and the big problems that had been accumulated were dissolved, independent States and autonomous democracies were created in her place. Some of these governmental structures still have close relations with

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¹ For the political system of Russia see Lampropoulos K. "The political dynamics of Russian Democracy", in Maroudas L., Tsardanidis X. (ed) Where Russia goes? Economic and political extensions of transformation. Athens, Exandas publications 1999, p.23-94. (In Greek) It must be marked that with decree that is in effect from 17 May 2000, country is divided in seven administrative regions in which are placed "seven persons of the President". So, are suppressed the 80 representatives of central power which had been placed in the 89 regions of country from the former president of Russia, B. Yeltsin in 1997.

Russia since the Cold-war in an ideological, political, social and economic form of East – West, regarding the new environment of the US as a world superpower and in search for a prosperous future, participating in the Community of the Independent States (CIS). Thus, there is still influence by Moscow on her ex-territories, while other regions are in an armed juxtaposition (Chechnya) with the country.

With the big changes that took place in the former USSR, there have been shocking changes,² the passage for USSR's successor, Russia, to a new role, regarding the countries that aspire to become regional powers (e.g. Turkey). At the same time the new conditions led many countries in the region to the western structures and systems - NATO, the European Union (EU)³ - being in negotiations of a complete integration, -on this subject there is intense reaction by the part of Russia - while local regional collaborations (Organism of the Economic Collaboration of the Black Sea (BSEC) were also created, which formed a new prospect for the area.

These changes affected both the economy and the society of Russia. The result was the creation of big imaginative waves-the country had and still has an significant reserve of human stockpile⁴ - that created new social⁵ and economic facts, while the ethnic juxtapositions in the interior even ended up in armed impacts, which had as a main target the independence and the ownership of the rich natural recourses. When Cyprus gained its independence from the UK on 16 August 1960, the USSR recognised the newly independent State on 18 August 1960. After the dissolution of the Soviet Union, Cyprus recognised the Russian Federation as the successor state of the former Union on 7 April 1992.

Soviet and Russian Policy Before and After the Cold War Era

During the first years that followed the October's Revolution, until the beginning of the 1920 decade, the USSR went through the phase where the Bolsheviks shattered the Tsarist's government . The repressive mechanism of the

capitalistic and feudal structures was abolished and the attempt of the construction of socialism in all levels began, starting from the army and the police, up to the economy and the society.

The rise of Stalin being in power strengthened the construction of the new regime with the nationalisation of the means of production, collectivisation of the land etc. Measures that were considered as conditions of the Socialist construction were adopted, but on their own did not recommend a socialistic society. During that phase, through the persecution of "the urban counterrevolution", the USSR was shaped into a transient revolutionary society, which was no longer a capitalistic one, however not a socialist one, based on the Marxist theory.

A peculiar regime existed, where the old orders of tsarist period had been exterminated, either biologically or abandoning the country and thus new sovereign political, economic and social layers were shaped, being adapted to the new conditions. The bureaucracy social group (nomenclature) and the administrative - high executives of (government owned) enterprises were the most important representatives.

In the middle of the 1930 decade, the new leading social layers of the USSR faced a dilemma, to attempt the "passage" to socialism, a situation in which they would have to deny their privileges, or they would concentrate on the consolidation of their power, adjusting the existing political system to the direction of servicing their needs and their interests.

With the 1936 Constitution, the leader of the State J.V. Stalin, after the prosecutions of hundreds of thousands leftish Bolsheviks, attempted to consolidate this transitional regime and declared that socialism had finally dominated in the USSR.. The decision had enormous political repercussions, in the interior as an "enemy of socialism" was considered the one that defended the rupture with the existing arrangement and required to advance the course towards socialism. Abroad, since within the USSR socialism was theoretically being built, the main duty of the international communistic movement in Europe and particularly in the Balkans, this prefer-

² See Gialouridis X. – Tsardanidis X. (ed) The Soviet Union: From the evolution in the decomposition. Athens, Themelio publications 1993. (In Greek)

³ Tsardanidis,X. "Dilemmas and priorities of Russian exterior policy", in Maroudas, L.- Tsardanidis, X. (ed) Where Russia goes? Economic and political extensions of transformation. Athens, Exandas publications 1999, p.95-122. (In Greek)

⁴ Milona G G. Euxeinos Pontos. Greece and the countries of Black Sea. Problems and prospects. Athens, National Bank of Greece publications 1995. (In Greek)

⁵ The escape of capital abroad is calculated in 22,3 billions dollars USA, ten times more than the direct foreigner investments. Financial Times 9/4/1997.

ential space of distribution of ideas rendered the defence of the Soviet Union State policy. The opposition that stressed the Marxist theory between the capital - labour was replaced by the opposition between the USSR - capitalistic countries. The unresolved social problems had thus been transformed in the field of a juxtaposition of the international policy, and the tendency of restoration of the USSR was strengthened, a tendency which was multiply expressed.

The line of the Unified Antifascist Front, that Stalin had imposed upon all the communist parties in Europe and the Balkans, the Molotov-Ribentrop pact, towards the smooth passage of the USSR in alliance with the US, the UK and France, constituted a reflection of this tendency. The USSR became a model for many countries, combining the resistance to fascism and the construction of a fair Socialist regime. Many liberating - resistance movements in the Balkans looking for help and seeking the post war political evolution of their countries assimilating the USSR.

The result of the second world juxtaposition and the creation of the

“Socialist camp” had a decisive role in the development of the USSR. The regime had been so much strengthened, and had created the power to eliminate the last signs of socialist resistance inside the Soviet Union.

The ascent of the general secretary of the USSR, N. Krouchev represented a paradox, on the one hand regarding the Cold War to be in the limelight and on other presenting the theory of a peaceful coexistence between socialism and capitalism, which had no connection to the Marxist theory. Kroutsef, recanted the dictatorship of proletariat, imported the conception of “the wide popular State” and the first economical improvements. The reactions abroad were many with withdrawals and defections of friendly leaning towards States, while in the inside the party reacted, desiring to hold the degeneration. Kroutsev was replaced by Brezhnev, who did not change the fundamental party line regarding to “the peaceful coexistence”, however negotiated much harder with the US. Due to the enormous internal crisis of the western societies during the decades 1960 and 1970, the collapse of the colonialist system and the global elevation of the liberal movement, the juxtaposition in Vietnam and in Cuba, Washington was forced in the Helsinki conference in 1975, to accept the post-war distribution in Europe. This was the high peak of demonstrating the power of the USSR. After Helsinki, the Soviet Union sunk into a large and extended crisis, despite having a very significant geopolitical position;

it was not capable of solving the problem of the country’s transformation to a capitalistic society.

After the time when the party structure changed three general secretaries, the governing of the USSR was taken by Gorbachev, who was obliged to handle the existing situation. Gorbachev was considered to be a temporary manager, who was removed, when he accomplished his job, therefore he was politically totally destroyed. The restoration of the system and the reinstatement of Russia in the previous situation required a different leadership in order to reconstruct the Soviet governmental structure and the system that had been established during the preceding decades. Boris Yeltsin was the leader of this initiative, who obtained his objective by sinking Russia in an economic chaos, social despair and misery and actually finalising the victory of capitalism.

On Christmas of 1991 the USSR, who had previously determined the fate of a large part of the world and had crucially affected the interrelation of forces, gave its place to the Russian Federation, - it is important to be marked that the “swan-song” of the communist party of the USSR was the adoption of the so called market reform in April 1991- under economical and social collapse including 14 States, politically and militarily weak and unable to take an active role.

Moscow began the long and laborious project of the re-establishment of capitalism. 10 years after the collapse of the USSR, Russia does not even have 50% of the industrial production the Soviet Russia had during the years of the decay.

At the same time and despite the degradation of the Russian population during the whole preceding decade, at absolutely no point was the course of Russia concerning the economic system of the market set to discussion, even by the population, who was under prolonged starvation. On the contrary, as the years went by, someone can observe that, not only the electing and the political effect of the Russian combination of Genadi Zouganov shrank, but also this party has increasingly more correct views on the complete adoption of the capitalistic structure by the Russian economy.

All conflicts in Russia in this decade were simply involved with the pace of the capitalistic re-establishment and they do not instigate from the political and social activities and requests. On the one hand, there was the tendency of the competitive overwhelming and extreme new-liberalism which had come forth while Yeltsin was on the leadership, independently of the misery that it caused to millions of Russians,

and it is connected to corruption and generally to the "black money" market. The tendency involved the sale of the wealth-producing resources of Russia and its services, which were consequently imposed as it was thought that the new-liberalism constitutes the most dynamic tendency of the market economy globally⁶.

The other opinion was supported by those who were embezzled the industrial production, which was the base of the soviet state, and were wanted the governmental help and support, in order to be maintained this base. Actually, this opinion was even more close to the traditional forms of social democratic governing of the state interventionism and protectionism, but it was defeated with obvious unfavourable results and in today's Russian economy and society, where the role of alteration is disappeared

Besides these views, there were also the communists and the new nationalists⁷ that had a big part of the political life in the Russian society⁸. The only certain thing in this phase was that Russia kept up its capitalistic development. President V. Putin, who wishes to develop the market economy in Russia, can do nothing more than to accept the hierarchy of the capitalistic economies, according to which Russia is classified very low today, with prospects that will be judged during the next decades from the recorded figures⁹.

The researchers that had been studying the form of the Russian society in the decade of 1990 began from data that come up to the last period of the Soviet system. Therefore, the number of the individuals that go to theatres, to rooms of concerts, to circuses and to libraries has considerably decreased, as well as the reading of literature and the subscriptions to newspapers. The

increase of the working time in order that the Russians can be able to correspond to the new conditions, contributed in making the free time more passive, compared to the last years of the Soviet period when it was more dedicated to culture, when the free time was constantly increasing. In order to strengthen their income, or better it, in order to survive, a lot of Russians increased their agricultural, veterinary and cattle raising activities, resulting to the decreasing of sleeping time and their free periods. Only the most prosperous Russians have profited from the upcoming issue of freedoms and rights, as from the appearance of expensive services, those ones were more specialised or had a more enterprising spirit. Outside Moscow, most of the inhabitants saw their possibility for access to the cultural goods considerably decreasing. Television had one of the top means of entertainment, with dominance from the low quality television programmes¹⁰.

Most of the Russians do not make plans for their retirement, as the majority will not live long enough to get their pension. The expected life expectancy has decreased during the decade 1991-2001 with about three years and has reached 65,9 years of age. The fate of men is even worse, as their average life is less than 60 years, which is roughly 15 years less than the west - Europeans. The small duration of life is partly a product of the crisis that has also affected the system of health having with main characteristics identified as the difficult access in quality medical centres, the collapse of the national programmes of health, and the financial problems of the regional clinics. Today the World Health Organisation places Russia in the 130th place, in total of 191 countries, with regards to the qual-

⁶ Kagarlitski, M. Restoration in Russia. Athens, Stahi publications, 1996. (In Greek)

⁷ Petros, N. - Rubinstein, Russian foreign policy. From empire to nation - state. New York, Longman 1997. Allensworth, W. The Russian Question. Nationalism, modernisation and post - communist Russia. Oxford - New York, Rowman and Littlefield publications, 1998, Kanet, R. - Birgeson, P. "The Domestic - foreign policy linkage in Russian politics: nationalist influences on Russian foreign policy", *Communist and Post Communist Studies*, volume 30, 1997, p.335-344.

⁸ In August of 1991, a coup of people who feel nostalgic of old of regime will mean, by collapsing, the end of the united Communistic Party of Soviet Union (C.P.SU) of 18.000.000 members. However the attempt of the new Russian leadership to place permanently except law each communistic activity did not flourish. The relative decree was cancelled in 1992 from the Constitutional Court (before this was dissolved, by Yeltsin) and the communists returned in the political life of the country. Today exist a lot of small and big Communistic Parties in central level, in which must be added a not exact number of organizations that have been constituted regionally, often as a political representation of local unions. Newspaper Eleftherotypia, 7/11/1999. (In Greek)

⁹ At the same period flourish the known capitalistic side, because the biggest rise globally and the reins in Europe has the Russian stock market which marks rise at 41%, and the capitals that are moved during the last three-year period are enormous and comes from various sources, even from illegal sources. In the Russian stock market the demand is great for ADR oil with the capitalisation to be in about 15,2 drachmas and the transactions in the amount of 3,8 billions. Dr. per day. Malkidis, T. Economy and society in the Black sea area, Athens, Gordios publications 2002, p.256. (In Greek)

¹⁰ Lewin, M. Le-Monde 6/1/2002

ity of the health system that is being provided. Consequently, Kazakhstan (64th), as well as Belarus (72nd) follow. The provided means are not enough in order to face the epidemic tuberculosis and AIDS. It is supported that the unfavourable living conditions along with the stress that has led to the long-lasting consumption of vodka and cigarettes in combination with economic and social problems, constitute some of the main reasons that have caused, after the passage of a decade, the premature death of men. More than 700 people die prematurely every day from cardiovascular diseases and cancer due to smoking, while more than 700 also die prematurely from liver cirrhosis poisoned by alcohol or in accidents or suicides, which are caused by the excessive consumption of alcohol. The statistical figures that were recorded reveal that during 2000, the men who were in the productive age were facing four times more probabilities to die, than women. In every 100,000 Russians of this age group corresponded to 86 suicides, 44 poisonings from alcohol and 55 murders.

In order to draw the attention to the country's dreary situation, certain initiators conducted a wide propaganda against the Soviet system, resorting to all the subterfuges that had been once used in West. Thus, it was supported that the previous establishment had been nothing more than a preposterous political and economic system, while it appeared from its failure, that a new era of freedom was being created. The "reformers" of the Russian society and economy did not satisfy the pillage of the economic goods; however, they attacked the past using ignorance, not the analysis. At the same time they began to - frantically seek other past references that could correspond to the desire

of the country to create a new identity and they once more misappropriated anything that was tsarist and pre-rebellious, and rejected anything that was Soviet.

The New Russian Economy

At the end of the 1980 decade, the USSR collapsed which was a basic stylobate, both in the economy and in society - the nomenclature or the "new order",¹¹ and, in 1991, all the Soviet democracies became independent, bringing as a result all the big changes in bilateral financial relations¹².

After 1990, the economic mechanism should change so that the transformation of the Russian economy could be realised, the macroeconomic variables could be established and the foundations for the future growth of country¹³ could be created. The achievement of these objectives was based on the application of a number of measures of a policy that pre-supposed the release of prices, the implementation of a prudent and tight monetary and budgetary policy, the complete convertibility of the currency, the extensive privatisations and the implementation of motives for attracting foreign investments¹⁴. The extensive privatisations that were realised during the first period increased the participation of the private sector in the configuration of the Gross National Product (GNP) from 12,5% in 1990 to 24% in 1994¹⁵.

However, the ones that actually profited out of this process were the executives of the former government, the Soviet enterprises which had belonged to the nomenclature. The period of liberalisation could be characterised by the lack of order lacking the essential planning that never-

¹¹ Voslensky, M. The nomenclature. Privileged of the Soviet Union. Athens NeoEkdotiki publications 1980 (In Greek) and Tzilas M. The new order. Vienna - Munich 1957.

¹² In two years period 1993-1994 the exports to the countries of COMECON were decreased at 20% and the imports from them at 17%. See OECD The Russian Federation Paris 1995, and OECD Economic Surveys Paris 1995.

¹³ About the conditions for the macroeconomic stabilization in Russia see. Dubinin, P. "Macroeconomic stabilization in Russia: the lessons of 1992-95 and the outlook for 1996-97", in the Economic Transformation: the tasks still ahead, Washington D.C.: Per Jacolsson Foundation, 1995.

¹⁴ For the reforms of the first period becomes extensive report in the report of house Moody's. Moody's Report on the Russian Economy. About the financial system, with the policies of privatizations and with the issue of exterior debt of Russia. Sutela, P. (ed.), The Russian Economy in Crisis and Transition, Helsinki, Bank of Finland 1993, and Maroydas, L. Tsardanidis, X. (ed) Where Russia goes? Economic and political extensions of transmission. Athens, Exandas publications 1999. (In Greek).

¹⁵ In 1992 Russian government distributed to the population with low price 150 millions obligations of privatisation, that were direct convertible in money. Very fast took shape big parcels, that possessed concrete categories of citizens or enterprises. see. Milios, G. «Transient process and structural transformations in the Russian economy», in Maroudas, L.- Tsardanidis, Ch. (ed) Where Russia goes? Economic and political extensions of transformation. Athens, Exandas publications 1999, p.125-154. (In Greek) For a total assessment of the first period of privatisations in Russia see. Andreff, W. "Economic disintegration and privatization in Central and Eastern Europe", in the Csaba, L. (ed) Privatization and destruction: Recreating the market in Eastern Europe, Dartmouth, Aldershot publications 1994.

theless altered certain characteristics of Russian economy. Therefore, despite any predicaments in the process of the reforms, it seems that Russia's image suffered from deep and not reversible changes. The application of policies, which had as a target the stabilisation of the economic.

Variables and the continuation of the transformation process of the Russian economy seemed to have brought about results. The year 1995 was considered as a year of stabilisation having significant success as far as inflation and the achievement of macroeconomic balance are concerned.¹⁶

Nevertheless, in a period of three years the above data had been reversed. The rouble depreciation, which was realised in 17 August 1998, was a result of the deterioration of the Russian economy and the low rate of the reform process.¹⁷ The collapse of the national currency together with the failure of the banking institutions led many of the Russians to withdraw their deposits in roubles or in dollars. A month later, the food imports indicated a vertical reduction, the commercial transactions were substantially interrupted and for the first time after the dissolution of the USSR, the shops presented once again a picture of empty bookshelves.

More specifically the agricultural production which had constituted an important financial weapon of the USSR faced and still continues to face major problems¹⁸.

The Russian agriculture which only partially has been reformed under the requirements of the market economy and the lack of a reliable

agricultural policy caused the collapse of the centrally organised agricultural structures, not allowing the formation of new ones. On the contrary, former big governmental land was now divided in small lots. This division constitutes the most important structural reform of the Russian agriculture.

The Agricultural production, as decades passed considerably decreased. More specifically, the big areas had a lot of difficulty adapting to the requirements of the market economy. Production decreased at 50% during the decade 1991-2001. However, the total agricultural production decreased at about 30% (a lower percentage than that of the fall of the Gross Domestic Product). This happened because the production of small, familial, areas considerably increased. In 1991, the big areas produced the 70-75% of the total agricultural production, while now their share is around 50%. Simultaneously, the share of small areas, in the animal as well as in the plant production, was increased from 25% to 50%. Quite remarkable is the fact that small familial extents represent only 5,7 million hectares from the 221 million, that constitute the total cultivable ground in Russia. It should also be mentioned that, unofficially, a lot of private individuals grow, at the same time, to a big extents too. In any case, small cultivated areas provide a high degree of self-sufficiency in the population. Big amounts of vegetables, fruit and meat, are produced in the small ranches, whereas the cereals in the big ones. An inhibitory factor is that the productivity of the small

¹⁶ For the Russian economy in period 1992-1996 See Russian Federation, OECD economic surveys, Paris: OECD, 1997 Russian economic trends, 1998.

¹⁷ See Russian Federation - the 1998 Program and seventh quarterly review under the extended arrangement - letter of intent and statement of economic and structural policies for 1998», Document of International Monetary Fund, (Confidential), June 17, 1998.

¹⁸ With regard to the conditions for the macroeconomic stabilization in Russia see. Dubinin, P. "Macroeconomic stabilization in Russia: the lessons of 1992-95 and the outlook for 1996-97", in the Economic Transformation: the tasks still ahead, Washington D.C.: Per Jacolosson Foundation, 1995. Specifically Russia consumes about 70-75 millions tones of cereals annually. Between 1991 and 1997 Russian production of cereals was about 85 thousands tones annually. At the duration of the decade 1980 former Soviet Union imported about 37 thousands tones per year, however at decade 1990-2000, Russia was altered in exclusive exporter of cereals. In 1998, Russia had a very bad production (only 48 millions tons). Nevertheless, could satisfy the consuming needs, because of the reserves that amounted in 14,3 million. tons. In the beginnings of the July 1999, before new production, reserves were in the lowest level (3,8 million. tons). This period they reached 1,5million. tons, as food help, from E.U. and USA. (It will be marked that, by the Memorandum of Understanding, that was signed by Russia, USA and E.U., is not allowed in Russia to sell the wheat that has been given as help). In 2000 they could collect 22 million. tons, essential for the consuming needs. The production of meat continues to decrease, like consumption. The production of meat in the big ranches, which produced in 1998 the 42% of the total production, it is continuously decreased, on the contrary to that of the familial ranches, that constitute the mainer source of meat. The consumption of beef meat fell from 53% in 1997 in 51% in 1998, while the consumption of pork meat was increased by 27% in 28% and the consumption of poultry from 12% in 14%. The annual consumption of meat per head fell from 50 kilos in 1997 in 47 kilos in 1998, and is expected to fall two kilos more, because the real incomes continued to shrink. However, because the high prices of imported products, the Russian producers could recover important share of domestic market. See Report of Office Economic and Commercial Affairs (OEY) Greek Embassy . Moscow. 2000.

ranches there is a lack of raw materials and there they witness difficulty in adapting to new data. Consequently, the agricultural sector cannot be based upon the familial properties.

The International Bank, the European Bank of Reconstruction and Development (EBRD), the Organisation of Economic Collaboration and Development (OECD) and the European Union, through the TACIS programme, together with the Russian government, processes certain programmes of providing the ranches with credits, technical aid, and mechanical equipment. As of the present day, this collaboration has led only to marginal changes and not to an inversion of the declining course of the Russian agriculture. The main reasons for the low reforming rate of the agricultural policy are both the intense reaction from the powerful preservative lobby that represents the big ranches, as well as the passivity of the agricultural population. The main problems that are encountered in the agricultural policy in Russia are: The absence of real reforms in the exploitation of the land, that would allow either the property, or the long-lasting renting; inconsistency in the followed federal and regional agricultural policies; high commercial obstacles among the various regions of the Russian Federation and the non-developing structures of the market, as well as the lack of capital and the supporting mechanisms to the agricultural sector.

The rouble devaluation helped the food industry of the country to become more competitive. In less than a year, the consuming and alimentary habits of the population dramatically changed. Instead of the expensive imported goods, the demand turned to cheap domestic goods and particularly to cheaper types of food, regarding meat, bread and potatoes. This change enabled the domestic companies of food to develop, in the field of production and sales and they were thus encouraged to invest more in the productive process. Consequently, after the depreciation, the prices of the vitally needed goods were considerably increased. On the other hand, there was a dramatic inability of the State to strengthen financially the producers. In 1999 only 0,8% of the total budget went to the agricultural sector, compared with the 19% in

1990. Certain parts of the society and particularly those who lived in remote regions, faced big problems. The enormous space of the country, the difficulty of finding the supply sources, the climatic diversity, as well as the significant reduction in the purchasing power, were some of obvious obstacles, mainly in the regions of the North and the Far East.

The certification of the memorandum with the International Monetary Fund (IMF) for credit disengagement to Russia in April 1999 was considered as a factor of confidence reinforcement to the Russian economy. Simultaneously IMF recommended the increase of taxes in alcohol drinks and oil, the postponement of reduction of Tax of Added Value (T.A.V), the change and reformation of the banking system and the lifting of the exchange restrictions.

The rise of V. Poutin signalled the passage of the country to a new era that, according to his statements, the circle of corruption and (kleptocratic) capitalism should end so that the diptych of stabilisation and growth could be achieved. President Poutin, from the moment of his election, has repeatedly altered both the external and the internal policy of Russia, concerning the following as the most important:

- Russia was immediately included in the alliance against terrorism that was established by the US.
- He announced that he examines the possibility of discussing with the Chechen autonomists.
- He shut down the last two Russian bases in Cuba and Vietnam.
- The possibility of withdrawing the Russian military forces from the base in Abkhazia was to be discussed.
- He accepted under specific terms the modification of Anti-ballistic Treaty (ABT).
- He founded a special committee to fight against the rinsing of money in Russia.¹⁹
- He accepted, if not encouraged, the presence of the US troops in the countries of the former Soviet Union.
- He declared that his country would pay part of her external debt earlier than the expected dates.

¹⁹ The corruption in Russia has received big dimensions and it constitutes central issue that occupies so much the internal political life, as much as the international organisms that loan the economy of the country. Characteristically at the first quarter 1999 dominated in the political life, the negotiation and the collection of the second dose of the loan of total height of 4,5 billions. dol. USA, which amounts in 640 millions. dol. USA, that the International Monetary Fund was about to give for Russia in September, however, because of the scandal that burst out with rinsing of Russian money in USA, DNT assigned in the Pricewaterhouse Coopers to submit a report on the subject, fact that interrupt the payment of the above pecuniary facilitation. Malkidis, Th. European Union and Black sea area, Athens, Gordios publications 2004. (In Greek).

- He expressed his wish to have his country included in the World Trade Organism.

Overall, Poutin accomplished, at a time when the US economy – and the European due to reflection – had reached null growth, for Russia to move around 4%. Salaries and pensions were paid, something that had been unrealistic during the Gieltsin period, while it began to cede in private individuals the agricultural ground of country. The European Union depends more and more on Russia, mainly for oil and the transport of the natural gas in the continent.²⁰

It has to be pointed out that today the Federal Russian budget, has the exports of oil as the main sources for foreign exchange. V. Poutin has recently declared that the 40% of the income of the State budget emanates from the exports of oil and the 25% from the exports of natural gas.²¹ If the income from the exports of diamonds, gold, timber products, silver, nickel, coal and copper were also to be added to this 65%, it would remain less than 5% reflecting the industrial products, an absolutely non-aligned structure of exports that is also connected with the trade of arming systems²². However, ten years after the collapse of the USSR, Russia does not even have the 50% of the industrial production of the Soviet Russia during the years of the decomposition. Even with a rate of growth of 8% per year, we will need 15 years in order to reach the level of prosperity of Portugal [...]. The second from the end country of the EU', Poutin declared.²³

Russia and Cyprus

Historical and cultural relations connect Cyprus and Russia for hundreds of years. With the establishment of the Republic of Cyprus in 1960, diplomatic relations with the then USSR (18 August 1960) were immediately followed. The friendly nature of bilateral relations is reflected by the identification or proximity of the two countries' positions in major international problems as well as the consistent and valuable support of Russia in its efforts to achieve a just, viable and comprehensive solution to the Cyprus problem on the basis of relevant UN Security Council resolutions.

The relations of centuries between Russia and Cyprus, based on historical, religious and cultural ties between the two communities, have become a powerful foundation for bilateral relations in the modern historical period. The national and cultural encounter between the two nations is an example of the multilateral interconnections between Cyprus and Russia at all levels, from the official level of inter-State relations to the everyday life.

Confirmation of all this was celebrated for 55 years with official diplomatic relations between Cyprus and Russia in 2015. The results of this anniversary demonstrated the determination of Russia and Cyprus to broaden partnerships. The main point of reference was the talks between presidents, held in Moscow on 25 February 2015, which resulted in the signing of a series of important bilateral agreements. Cyprus

²⁰ Newspaper Eleutherotypia 11/11/2001. (In Greek)

²¹ Russia has the biggest reserves of natural gas worldwide (48 thrice. Mrm.), and Europe is calculated that have needs ten times more than now (about 800 billions. cubic metres) at the expense of the consumption of oil, that is more expensive is passes via difficult and doubtful ways. Presentation of productive potential of Russia in the frames of USSR is attempted in the Jacques le Cacheux, 'LURSS', in Jean-Paul Fitoussi (dir), *A l'Est, en Europe, des économies en transition*, Paris: Presses de la Fondation Nationale des Sciences Politiques, 1990, sel. 27, as well as in the EIU, *Country Profile Russia 1998-1999*.

²² Specifically in the trade of arming systems Russia attributes big importance. In March 2000 Russian president V. Poutin exempted from their duties, the presidents of the export organisms of arming systems Rosvooruzhenie and Promexport (Alexei Ovkaref and Sergkei Tsemezov). The activities of the two companies were assembled in united institution under the name Rosoboronekspart, the administration took the former subordinate Tsemezov, Andrei Belagianimov. The Promexport (under new form) had been constituted in April 2000 after personal intervention of Poutin, but also the transfer of the activities of the company Russian Technologies, while the Rosvooruzhenie and the Promexport had been recommended in 1997, via the concretisation of decree (then) president M. Yieltsin. The economic height of exports of Rosvooruzhenie for 2000 was 2,95 billions dollars, while the open orders reached the 10 billions dollars. It has to be marked that the Russian federal budget has as main sources of foreigner exchange the exports of oil (and arming systems). The last months 2000 presented surplus, with given the increase of prices of black gold in the international markets, ensuring comfort of handlings in Russian government at the negotiations, that are in development for the activation of parcel of loans 4,5 billions dollars from D.N.T. see. Delastik, G. Newspaper Kathimerini 21/7/2001. (In Greek)

²³ Newspaper Eleutherotypia 4/8/2001. (In Greek)

and Russia have signed up to more than 60 bilateral agreements, of which 12 have been signed during the 2015 Moscow visit.

In January 1997 Cyprus signed an agreement with Rosvooruzheniye for the sale and delivery of 40 S-300PMU-1 missiles.²⁴ The sale, valued at USD200 million, caused tensions with Turkey, who threatened to blockade the island to stop delivery, whilst not ruling out military action.²⁵ Michael Barletta suggested that the Russians might have made the sale as a rebuke to NATO, which had continued to expand the alliance against Russian objections. He continued to say that the Russians may have been seen to encouraging conflict between NATO allies, which would create opposition to the continued expansion of the alliance, whilst demonstrating that Russia would not accept its security and political interests being ignored by the US.²⁶ A spokesman for the Russian Foreign Ministry stated that the deal was on a pure commercial basis, and rejected notions that the deal may be responsible for tensions on Cyprus, whilst pointing out that Russia had proposed demilitarization of the island. Despite objections from some quarters, Russian Foreign Minister Yevgeny Primakov stated in February 1998 that Russia was intent on delivering the missiles to the Cypriots, and noted that they were defensive weapons.²⁷ After Turkish objections the missiles were transferred to Greece and never deployed on the island.

Cyprus is officially the third largest foreign investor in the Russian economy; most of foreign direct investments from Cyprus are in fact, Russian capitals hidden offshore for tax and legal protection purposes.[8] The cooperation with other Russian regions - Tatarstan, St. Petersburg, Krasnodar Region develops steadily. On 22 March 2005 the memorandum on cooperation between the Ministry of Trade and Economic Cooperation of the Republic of Tatarstan and the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus was signed.

The unilateral decision by the European Union in March 2013 imposing a levy on Cypri-

ot bank accounts to finance its bailout fund was angrily received by representatives of the Russian State. Based on previous negotiations with the EU, it was expected that Russia extends its five-year loan obligations towards Cyprus but the recent EU fiscal regulations, which heavily weigh on Russian assets in Cyprus, will likely affect Moscow's decision on restructuring its loan to the island nation.

Cyprus offers the benefits of English common law, which businesses often consider more flexible when drawing up contracts. "Russia should be blamed for not allowing people the level of comfort they wish," said Bruk. "As with high tax countries like Germany or France, if you pressure people to pay high levels of tax, why blame Cyprus for creating a low-tax jurisdiction?"²⁸ The way to stop cash outflow is to make tax legislation fair and easy to deal with." Vladimir Gidirim, partner, International Tax, Ernst & Young, said companies would take the risk of a further deterioration in the Cyprus tax system but smaller and medium-sized companies in particular would not leave the jurisdiction. However larger companies might make use of holding companies in additional jurisdictions. "There is no alternative to Cyprus as a jurisdiction. The tax system for holdings is far too advanced and flexible. The Netherlands and Luxembourg do contain some features, but those conditions are still not as favorable for investors. There is no direct matching. You cannot simply take a Cyprus company and replace it like a piece of Lego in Luxembourg. You would need to use several jurisdictions, with several layers of holding companies in order to achieve a cascading system of tax distributions."²⁹ Gidirim added.

Since the 1990s, Cyprus has been characterised as a country with very good relations with Russia, which is considered an ally supporting the integrity of the country. It usually supports the Kremlin's foreign policy objectives, such as hindering further sanctions with positions that have to do with the need to appease or relate to business. Cyprus belongs to that group of coun-

²⁴ Barletta, Michael (November 1998). «Cyprus: Mediterranean countdown». Bulletin of the Atomic Scientists. Educational Foundation for Nuclear Science, Inc. 54 (6): 12–14. Safire, Williams (2 July 1998). «Essay; Primakov in Cyprus». The New York Times.

²⁵ Hannay, David (2005). «1997: Missiles and Missed Opportunities». Cyprus: the Search for a Solution. London; New York: I.B.Tauris. p. 70. Gordon, Michael R. (29 April 1998). «Greek Cypriots To Get Missiles From Russians». The New York Times.

²⁶ Safire, Williams (2 July 1998). «Essay; Primakov in Cyprus». The New York Times.

²⁷ «Russia to honour missile contract with Cyprus — Primakov». BBC News. 16 February 1998.

²⁸ Russians In Cyprus: It's Not About Tax It's About The Rule Of Law And Property Rights». Forbes.com.

²⁹ «Egorov Puginsky Afanasiev & Partners - Media Coverage - The Moscow Times publishes commentary by Mark Rovinskiy on companies reassessing their presence in Cyprus». Epam.ru.

tries that do not risk or accept threats from Russia and maintain close relations with the regime in Moscow. Russia supports the integrity of the island since the Soviet Union, making Moscow a strong partner for Nicosia. Cyprus is the main window for Russia's offshore banking system, a place of residence for 40,000 Russians and a favourite destination for Russian tourism. The government is opposed to sanctions against Russia, mainly because of economic relations, despite the fact that the real impact on the economy was almost non-existent. However, there is a continuing Russian background movement and the Cypriot side worries that Moscow uses media and social networks as well as its relations with parties and the Greek Orthodox Church to undermine the talks on a settlement of the Cyprus problem. In 2011, Russia lent EUR2,5 billion, which the Cypriot government still pays.

It is evident from the report that at the political level, complaints have been expressed about the role that Russia has in Cyprus. In addition, it is obvious that this Russian activity is bothering some of them, for this reason they say that Russia is stirring up the efforts of the solution of the Cyprus problem. It is further noted that the events in Ukraine did not affect the relations between Cyprus and Russia, while pointing out the leading role of Cyprus against sanctions against Russia.

Conclusions

In the Russian society and economy as well as in the fields of policy, juxtapositions are today dominant. This is reflected in Caucasus with Chechnya, as well as in the relations with Georgia and the petrol policy controversy. The situation is homologous in Ukraine, and the Caspian Sea, where the US is also involved, while more States have wide interests in the region. This conclusion is further reinforced when we examine the political (but also militarily) sovereignty in the Black Sea region, resulting from the expansion of western organisations, such as NATO, influence in situ. Such countries had close political and economic relations with Russia during the previous period, but this is not

the case today. Moreover, the change in the international scenery after 9/11 and the (military) presence of the US in the region are critical factors of the present equation.

The great problems that Russia faces today, the economic crisis, the social inequalities, the big immigration, the corruption, the pillage and the illegal exploitation of the natural resources, alcoholism, and the demographic collapse, constitute serious threats to the foundations of the society. In any case, if brave decisions are not taken, that will blunt the inequalities and the big differences that exist, in the next years the cohesion of Russian society will be severely threatened and unforeseen ominous developments in the Russian society and economy will be fired.

In the 1990s, Cyprus received much of the wealth of the former Soviet Union, which was channelled abroad. Today it hosts a large community of Russian millionaires and is the seat of Russian offshore companies.

Cyprus chose allies and sought them in the West, joining the EU, and voluntarily leaving the Non-Aligned Movement. Of course, Cyprus is obliged to seek broader alliances and to follow a multidimensional foreign policy. Although, without delusion, Cyprus can play a game in competition with her natural ally in the EU. If it cannot find alliances in Europe to push Turkey, it is naïve to believe it can make it into an alliance with Russia, and one against 26, in a way that gives impressions that it acts as a Trojan horse of the Russians in European Union. In the European Union and in the West in general, there is suspicion of the non-transparent relations between Cyprus and Russia. First, it has been proven that there is a practical and effective mechanism of influence from Moscow to Nicosia in a wide range of issues. In Cyprus, there is a "pride" for relations with Russia that penetrates the whole spectrum of society for two reasons that are understood by the public:

* Economic relations.

* The national problem.

These two issues make society positively address the Russian factor and consider Russia the most reliable and the most stable ally of Cyprus.

АСПЕКТЫ ПЕРЕХОДНОГО ПЕРИОДА В РОССИИ И НА КИПРЕ (1991-2004)

Российская Федерация обладает территорией в 1 745 0000 квадратных километров, имеет население, насчитывающее 147 000 000 человек и состоящее из 81,5% русских, украинцев, татар и т. д. Она граничит с Финляндией, Эстонией, Латвией, Беларусью, Украиной, Грузией. Азербайджаном, Казахстаном, Китаем и Монголией, её территорию омывают воды Северного Ледовитого океана, Балтийского моря и Черного моря. Российская Федерация - президентская демократия, и президент избирается гражданами каждые шесть лет.

Федеральное Собрание состоит из двух органов. Дума, насчитывающая 450 депутатов,

избираемых на пятилетний срок, половина из которых выдвигаются в одномандатных округах, а остальные – в округах с пропорциональным представительством партий. Столица Российской Федерации - Москва, другие важные города - Санкт-Петербург, Новосибирск, Краснодар, Владивосток и Нижний Новгород. В административном отношении Россия разделена на 85 субъектов.

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