

New Russian Leaders Turn To Economic Security, Eurasia

by Rachel Douglas

Russian President Dmitri Medvedev and Prime Minister Vladimir Putin have begun working in their new positions, with a new configuration of the Russian government that was unveiled beginning May 12. Putin's economic policy engagements during the first week of his new government point up the potential, under conditions of global systemic economic crisis, for Russia's actions to help shift the world decisively in the direction of peace through development.

The new government's first steps in economic policy take on even more importance in the context of the surfacing of the new strategic alliance among Russia, India, and China, at the meeting of foreign ministers of those nations at Yekaterinburg, Russia, on May 14-15. At that meeting, hosted by Foreign Minister Sergei Lavrov, a member of the new cabinet's Presidium, the three nations—which represent one-third of all humanity—took a profound step to respond directly, in a coordinated fashion, to the Anglo-Dutch oligarchy's war drive, formulating a coordinated policy rejecting the illegal Kosovo declaration of independence, and strengthening their mutual relations. The measures announced by Putin fit perfectly into this new cooperative alliance, which is geared to counter the increasingly aggressive British targetting of all three nations.

Putin addressed back-to-back conferences on agriculture and on transportation infrastructure, making equally dramatic presentations at each:

On May 20, he announced the most ambitious of all investment programs ever adopted by the Russian government, namely, government spending of 4.7 trillion rubles out of a total 13 trillion ruble (\$548.5 billion) transportation infrastructure development package. Putin's own words, and re-

marks by other officials the same week, confirm that the perspective includes essential elements of the large-scale railroad-building program, announced in 2007, and of the Eurasian Land-Bridge, long advocated by economist Lyndon LaRouche, Schiller Institute founder Helga Zepp-LaRouche, and their political movement.

At a conference on agriculture, held the previous day, Putin and Minister of Agriculture Alexei Gordeyev made clear that Russia will use subsidies and protective trade measures—measures that go against the “free trade” rules of the World Trade Organization (WTO) that Russia is still attempting to join—to defend food production as a matter of national security.

Medvedev's activities, too, as well as the announced Russian personnel and institutional changes themselves, draw attention to the high level of military-strategic tension in the world, as well as the tension within Russian policymaking, in the face of the British imperial strategic assault, and the world economic breakdown crisis.

On May 15, all Russian national TV channels showed Medvedev on tour in the Ivanovo and Kostroma regions west of Moscow. He visited two top military facilities and two monasteries. Near Teykovo, Ivanovo Region, Medvedev reviewed a regiment of Topol-M intercontinental ballistic missiles—“unmatched by any technology in the world,” as the host officers put it—at their base, deep in a pine forest, where Gen. Nikolai Solovtsov, commander of the Strategic Missile Corps, briefed the President.

Addressed throughout the televised clips as “Comrade Supreme Commander-in-Chief,” a grave-faced Medvedev said, over lunch with the personnel: “Our objective is to



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Russian President Dmitri Medvedev (left) and Prime Minister Vladimir Putin, shown here in Moscow April 23, are working with other Eurasian nations to shift the world toward peace through development.

make sure that in the immediate period ahead, and in the years ahead, that the Strategic Missile Corps receives all of the financing it requires, in order to meet today's level of threat, and the situation that actually exists on the planet today." The new Russian President went on to visit the Kostroma Military Academy, where he viewed nanotechnology and ABC defense labs, and laser-guided weapons training.

A New Government

Back in Moscow that day, Putin presided over the first working session of the new Cabinet of Ministers, which he had publicly presented to Medvedev on May 12 (remarking that the two of them had deliberated on the personnel and organizational changes over a two-month period). He announced that the government will be managed by the new 15-person Presidium, meeting weekly, that consists of himself, the two first deputy prime ministers, the five deputy prime ministers, and the ministers of health and social development, regional development, agriculture, economic development, foreign affairs, internal affairs, and defense.

Televised coverage of the cabinet meeting featured Putin criticizing Minister of Economic Development Elvira Nabiullina for setting too "modest" targets for the increase of manufacturing products as a share of industrial output, as well as of exports.

In the top government posts are longtime close associates of Putin, several of whom have moved with him from the Kremlin Presidential Administration to the government:

- First Deputy Prime Minister Igor Shuvalov, formerly Kremlin aide to Putin, chief advisor on his annual messages to the Duma, and Russia's liaison to the G-8.
- First Deputy Prime Minister Victor Zubkov, the former tax-collection chief who served as prime minister for the past eight months. Zubkov will handle agriculture (in which he began his career).
- Deputy Prime Minister Alexander Zhukov has kept his post in charge of socio-economic policy.
- Deputy Prime Minister Igor Sechin, one of Putin's long-time Kremlin aides with an intelligence background, and chairman of Rosneft oil company, has come out of the shadows to take a government chair in charge of energy, natural re-

sources, and "all industry except for the defense industry."

- Deputy Prime Minister Sergei Sobyenin, a former Kremlin chief of staff, will now administer the government staff.
- Deputy Prime Minister Alexei Kudrin has stayed in this position, and continues as finance minister.
- Deputy Prime Minister Sergei Ivanov, coming down a notch in government rank, will handle defense and defense-industry matters.
- Sergei Naryshkin, another close Putin associate, has become Medvedev's chief of staff at the Kremlin.

Several of these officials, and others whose ministerial assignments were changed, represent groups within the security and intelligence community—the so-called *siloviki*—that were visibly warring against each other during 2007. Nikolai Patrushev, a close ally of Sechin, gave up the post of Federal Security Agency (FSB) chairman to become head of the Security Council. Putin has evidently kept various factions on his team, while arranging the government agencies so as to give him a more streamlined machine.

Among the institutional changes was the re-division of the Minister of Industry and Energy into two separate ministries, with the Ministry of Energy being run by Sergei Shmatko, a military-educated nuclear power industry specialist, who has recently managed Russia's construction of nuclear plants in other countries. Alexander Bortnikov, Patrushev's successor as head of the FSB, has worked for the past five years as chief of economic security for the Russian security service.

Russia Can Be Food Self-Sufficient —and Export!

The promotion of Shuvalov and retention of Kudrin and Nabiullina in the cabinet led some observers to describe the economic section of the new government as even more neo-liberal than before. Yet, it is apparent in the crucial case of food production, that sticking to generally accepted monetarist rules of behavior would leave Russia vulnerable to an onslaught of hyperinflation from abroad, compromising the national security—and this is something that this security and intelligence-oriented leadership is not eager to do.

Declaring food security, food price stabilization, and development of the agriculture and agro-industrial sectors to be a top priority of his government, Putin said, at the May 19 conference on agriculture, that Russia has every potential to be food self-sufficient, while simultaneously becoming a food exporter—“a major player in the international food market.”

Gordeyev told the meeting, held in the town of Yessentuk, Stavropol Territory, in the southern grain belt, that the Russian Federation is currently importing 40% of its food. Especially high is the level of meat imports (41% of consumption), due to the destruction of Russia's herds during “shock therapy” deregulation during the 1990s. Gordeyev reported that 30% more acreage than last year has been planted with grain crops so far this Spring. He stressed that yields are also going

to be better this year, because more fertilizer is available as a result of the government's having raised export duties on fertilizer last year.

Specialists at the Russian Ministry of Agriculture, under Gordeyev, have opposed Russia's joining the WTO, on grounds that doing so would hamper the recovery of agriculture and damage the country's food security.

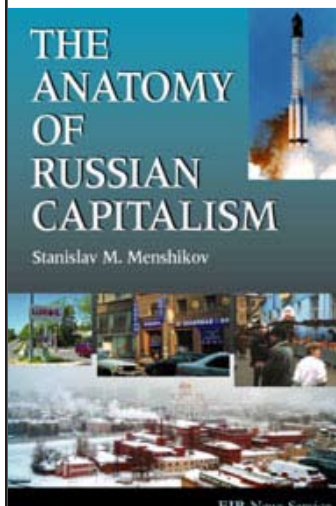
In his speech, Putin said that agriculture has moved to the top of the incoming government's agenda, because of what's happening on world food markets: “the steep rise in food prices on world markets, which has seriously affected the situation in Russia.” He pointed out that the poorest layers of the population have felt this the most—“pensioners, families with several children, and other socially vulnerable groups of the population, for whom food is their main household budget item.” To protect the population, said Putin, the government must ensure price stability in the agro-industrial sector as a whole, through more effective anti-monopoly regulation and the use of subsidies.

Putin laid out five interim objectives for Russian agriculture: 1) increase gross output, especially of grain, through increasing the area under cultivation, as well as yields; 2) technological re-equipping of agriculture and the food-processing industry, using innovative land and technology leasing schemes and long-term credit; 3) achieve price stability, especially for motor lubricants and fertilizer, using “anti-monopoly regulation and subsidies”; 4) better risk management and agriculture sector insurance; 5) constant monitoring of the food products markets, “and if prices exceed established limits, there should be automatic measures, and I mean purchasing interventions, and regulation using import and export tariffs.”

Said Putin, “Russia has truly unique agricultural potential, which should enable us not only to fully meet our own needs, but to make our presence known as a major player on the world food market.”

Gordeyev underscored that importing food, including meat and dairy products, cost Russia \$27.6 billion in 2007. These parameters have continued to rise in recent years. “Gordeyev considers it a necessity to increase government subsidies for agricultural producers,” reported Prime-TASS. He posed this in terms of the need for urgent measures to cut food imports, in view of the world situation. Gordeyev told the meeting that Russian agricultural output can and must grow at double or more the rate of world growth in agricultural output (2.5-3 times faster, for grain and meat over the next ten years, he specified).

Both officials linked the progress achieved so far to the operation of the National Project for agriculture, which is one of the four National Projects that Medvedev was on top of as a deputy prime minister. This included incentives for leasing arrangements in agriculture, and other ways of channeling investment and support to the sector—after the livestock devastation, the removal of huge swathes of land from



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cultivation, and the disappearance of thousands of villages during the 1990s.

Transport Infrastructure: Biggest Project Ever

The next day, May 20, at the Transport-2008 conference in the Black Sea coastal city of Sochi, site of the 2014 Winter Olympics, Putin announced that he was set to approve the 13 trillion-ruble program for the development of Russia's transport system in 2010-15. "I have in mind the most ambitious of all investment programs ever adopted by the Russian government," Putin was quoted by Itar-Tass. Russia could transit five to ten times more trade between Europe and Asia than it now does, if it had a modern transport system, he said. "The volume of its funding will top 13 trillion rubles, including 4.7 trillion from the federal budget.

Putin said that Russia must change its development methods, to realize this enormous program. He called for ensuring concerted development of all types of transport, and making transport development coherent with the comprehensive programs for the development of regions and industries. "It is only possible to build an integrated transport system this way, which will have no bottlenecks," Putin said. "The underdeveloped transport infrastructure has become a brake on the economy and interferes with its transition to the innovation way of development."

The federal budget has already appropriated 300 billion rubles for developing the transport system this year, and this will rise to 584 billion rubles in 2010, and 770 billion by 2011. The vast development program provides for "building or reconstructing over 17,000 kilometers of federal, regional, and local roads, and more than 100 runways, while the aggregate capacity of seaports will rise by more than 400 million tons of cargo annually," Putin said. "Over 3,000 kilometers of new railways will go into operation, and sections with limited traffic capacity will be scrapped completely. We should start introducing programs for high-speed passenger trains."

Putin said that Russia has to "change [its] approach to realizing federal programs and aim at advanced design methods, so as to fully implement our plans. This means that each investment project included in the program, should have a clear economic feasibility and substantiated period for being carried out. Specific people should bear responsibility for the project's implementation," he emphasized.

The overloaded roads are putting a burden on the economy and costing too many lives, he said. Development of big mineral deposits and other resources is being hindered by poorly developed transport in some regions, and the different transport types are not well enough integrated, Putin said. He called it "vitally important" for Russia to switch from just maintaining its transport system, to its "qualitative development on the most sophisticated technological basis. The growing possibilities of the state and of national business make this possible." He called for the involvement of private business,

and improving "all forms of private-state partnership"; for adopting "overdue amendments to the law on concession agreements," and for business receiving "more efficient support from all state institutions of development." He also said that employers could be serious partners of the state in training skilled personnel for the transport industry.

Industrial Policy vs. World Market Prices

Before the agriculture and transport events in the South, Putin and key members of his cabinet also took up shipbuilding, one of the Russian industries most damaged during the 1990s. He visited the famous Admiralty Wharves shipyard in his native St. Petersburg, accompanied by Deputy Prime Ministers Sergei Ivanov and Igor Sechin, who will chair the state-owned United Shipbuilding Corporation. Ivanov announced that Russia will spend 136 billion rubles (\$5.7 billion), over 60% of it from the federal budget, on reviving its shipbuilding industry in 2009-16. Finance Minister Kudrin, Defense Minister Anatoly Serdyukov, and Minister of Industry Victor Khristenko took part.

At the Sochi fair, Putin visited the booth of the Industrial Ural-Polar Ural megaproject, a rail and resource development scheme designed by Academician Alexander Granberg and his colleagues at the Council for the Study of Productive Forces (SOPS) for the northern section of the Ural Mountains, for detailed discussion of federal financing for this project. Sakhalin Region Gov. Alexander Khoroshavin stated, at a May 19 conference in Khabarovsk, that the bridge-tunnel crossing between Sakhalin Island and the mainland has also been officially included in the federal program. (Khoroshavin advocates a second tunnel, from Sakhalin to Japan, which would link Japan to the Trans-Siberian Railroad.) Thus, some of the key Eurasian Land-Bridge projects, toward which Russia had moved during 2007 with the unveiling of the national plan for rail development until 2030, are not only still on the agenda, but are being prioritized under the new government. (See *EIR*, Sept. 7, 2007, "Russia: The Economic Contours of a Policy to Save the Nation"; and *EIR*, Sept. 28, 2007, Kiedrich conference report, "The Eurasian Land-Bridge Becomes a Reality.")

Certain recent decisions in Russia go in a different direction, however. For instance, the outgoing government's final resolutions mandate that rates for the services and products of the government-owned natural monopolies—electricity, natural gas, and rail fares—be raised at least 60-100% in the next three years, to match world market prices, which, however, threaten to rise even higher, to hyperinflationary levels. Russian economists have pointed out that such price jumps will severely curtail the ability of Russian industry to implement the ambitious infrastructure development plans, industrial recovery, and the announced attempt to shift to an innovation economy based on high technologies. Thus, the stage is set for possibly still more dramatic changes in Russian economic policy, in the near future.