

PRESIDENT PUTIN IN ANNUAL MESSAGE

Russia Will Survive and Be A Weighty Factor in the World

by Rachel Douglas

Russian President Vladimir Putin's 2006 State of the Federation message, delivered to the Federation Council on May 10, underscored the folly of trying to treat Russia as a misbehaving state or merely a source of "energy security," as Dick Cheney and others have recently done. Putin communicated tremendous determination to enhance Russia's status as a great power, moving in the direction of an economic policy shift in a way that won statements of hope from even some of his fiercest critics within Russia.

The three main areas of Putin's address—the demographic crisis, national defense, and an array of economic policy measures—were familiar to his audience from previous years' messages. In his very first State of the Federation message, in 2000, Putin identified the demographic crisis as the gravest national security problem for Russia. In 2004, he vowed to combat poverty, overcome the population decline, and upgrade Russia's infrastructure. Last year, Putin attacked the consequences of the economic collapse of Russia during the 1990s, targetting the bloated and ineffective bureaucracy, as well as "mass poverty," as the main problems Russia must deal with. All of these themes he developed further in the May 10, 2006 address, but with a sharper focus and hints of further changes to come.

Economist Sergei Glazyev, who as a leader of the Rodina (Homeland) movement has been extremely critical of Kremlin policies during the past two years, today issued an assessment of Putin's latest message, beginning this way: "Today's Presidential message essentially means a fundamental review of the social and economic policies, carried out hitherto. In effect, the head of state has recognized the programmatic demands, repeatedly put forward by the na-

tional-patriotic forces. We have spoken a lot about support for children and families, promoting scientific and technological progress, shifting the economy to an innovational pathway of development, the need to shift to use of the ruble in international transactions, and the modernization of the Armed Forces. Practically all of these opposition proposals have now been declared key directions of national economic policy. I am very glad about this."

Another pro-technology commentator observed, "This is the first time the tasks have been posed in the right way." Glazyev went on to ask if the current government would measure up to implementing the goals outlined by Putin. He noted that the government has failed to adopt the proposal from Academy of Sciences and related political circles, for a Development Budget and a fully-funded Development Bank. Putin said nothing about the now more than \$60 billion Stabilization Fund, the oil-export windfall that monetarist dogmas will not allow to be invested inside Russia, not even for long-term, non-inflationary infrastructure projects. (The Russian government is on record as intending to invest the Stabilization Fund in foreign government bonds and global stock markets.)

Nonetheless, it was noteworthy that Putin did *not* repeat the kind of presentation he made in the opening remarks of his year-end 2005 press briefing, in which he pointed to the Stabilization Fund, to Russia's budget surplus, to the early repayment of foreign debts, and to the build-up of foreign currency reserves as tokens of economic success, in and of themselves. This time, Putin insisted starkly that if Russia does not reverse the demographic collapse, nothing else matters. This time, he spelled out the needed policies—down to the ruble amounts of monthly cash supplements that families



Presidential Press and Information Office

President Putin reviews Russian troops before the parade on May 9, celebrating the Allied victory over Nazism. Far from the militaristic rant the U.S. media tried to convey, Putin's speech to the Federation Council called for rebuilding Russia, citing Franklin Roosevelt's policies in depression-wracked America as a model.

should be granted upon the birth of a second or third child.

According to reports from Moscow, Putin twice put back the delivery of this speech because he was dissatisfied with the drafts prepared for him by aides. Sources indicate that Economics Minister German Gref came in for special Presidential wrath, along with several Kremlin staffers. In the interim, two senior Russian figures, former Prime Minister Yevgeni Primakov and writer Alexander Solzhenitsyn, published stark assessments of Russia's possible loss of territory and disintegration, due to population shrinkage.

Primakov wrote in the issue of *Biznes zhurnal*, "Among the multitude of other negative factors, the most serious danger for Russia arises, if you will, from the emerging demographic situation." Primakov, who currently heads the Chamber of Commerce and Industry, said that Russia's labor shortages are already obvious to everybody. But, he went on, if an array of measures—such as tax incentives for resettlement—is not adopted, the depopulation of Russia's Far East and Eastern Siberia could lead to the loss of those areas altogether. Such measures must be integral to any program for a "national idea," such as has been debated in recent years, wrote Primakov.

[Aleksandr] Solzhenitsyn, a survivor of the Stalin-era prison camps, late-Soviet-era blacklisting, and a host of other troubles, took up the same subject in a May 5 interview with *Moscow News*. Answering questions from noted journalist Vitali Treyakov, Solzhenitsyn said, "Indeed, 'saving the nation'—numerically, physically, and morally—is the utmost task for the state. . . . All measures to raise living standards—housing, diet, health care, education, morality, etc.—are in effect designed to save the nation. This is an overriding prior-

ity." Putin quoted Solzhenitsyn in his speech.

Right at the outset, Putin invoked Franklin Roosevelt on the need for the government to step on the toes of selfish financial operators, in the name of the general welfare. The allusion to America's struggle out of the Great Depression is essential in two respects. First, FDR and the New Deal have been a reference point for opponents of the neo-liberal looting that drove Russia into deep depression in the 1990s, ever since the late Prof. Taras Muranivsky—reflecting his collaboration with Lyndon LaRouche—published an article in the early 1990s, titled "A New Deal for Russia," in which he ripped apart the notion that there were only two choices for post-Soviet Russia: the old command economy or radical deregulation of everything. Second, the Russian government has evidently been given instructions on FDR-style schedules for getting things done. At the May 11 session of the cabinet, Prime Minister Mikhail Fradkov ordered federal ministers to draft and submit to the Ministry for Economic Development and Trade, within three days, proposals for implementation of the Presidential message. Within 10 days, this Ministry must give the government an integrated plan for their implementation.

The United States figured twice in Putin's speech: once, as a potential adversary that has chosen a "fortress" mentality, and then in a list of "other countries" with which Russia has important relations—along with China, India, Asia as a whole, South America and Africa. The Russian President said that relations with close neighbors were Russia's top foreign policy priority, and devoted one whole paragraph to Europe. The tense global situation, however, was the implicit subject of his lengthy discussion of Russian military requirements.

Putin's Speech

Here are substantial excerpts from President Vladimir V. Putin's Annual Address to the Federal Council on May 10. Translation by www.kremlin.ru. Subheads have been added.

The addresses of the last years have set out our main socio-economic policy priorities for the coming decade. Our efforts today focus precisely on the areas that directly determine the quality of life for our citizens. We are carrying out national projects in the areas of health care, education, agriculture, and housing construction. As you know, the problems in these areas have accumulated not just over a period of years but over entire decades. These are very sensitive issues for people's lives. We have had to build up considerable strength and resources in order to finally be able to address these problems and focus our efforts on resolving them. . . .

We have concentrated over these last years on ironing out the imbalances that had arisen in our system of state organization and in the social sphere.

Now, as we plan the continued development of our state and political system, we must also take into account the current situation in society. In this respect, I note what has become a characteristic feature of our country's political life, namely, low levels of public trust in some of the institutions of state power and in big business. The reasons for this situation are understandable.

The changes of the early 1990s were a time of great hopes for millions of people, but neither the authorities nor business fulfilled these hopes. Moreover, some members of these groups pursued their own personal enrichment in a way such as had never been seen before in our country's history, at the expense of the majority of our citizens and in disregard for the norms of law and morality.

"In the working out of a great national program which seeks the primary good of the greater number, it is true that the toes of some people are being stepped on and are going to be stepped on. But these toes belong to the comparative few who seek to retain or to gain position or riches or both by some short cut which is harmful to the greater good."

These are fine words and it is a pity that it was not I who thought them up. It was Franklin Delano Roosevelt, the President of the United States of America, in 1934. These words were spoken as the country was emerging from the Great Depression. Many countries have faced similar problems, just as we do today, and many have found worthy ways to overcome them.

At the foundation of these solutions was a clear understanding that the state's authority should not be based on

excessive permissiveness, but on the ability to pass just and fair laws and firmly ensure their enforcement.

We will continue, of course, to work on raising the prestige of the civil service, and we will continue to support Russian business. But be it a businessman with a billion-dollar fortune or a civil servant of any rank, they all must know that the state will not turn a blind eye to their doings if they attempt to gain illegal profit out of creating special relations with each other.

I make this point now because, despite all the efforts we have made, we have still not yet managed to remove one of the greatest obstacles facing our development, that of corruption. It is my view that social responsibility must lie at the foundation of the work of civil servants and business, and they must understand that the source of Russia's well-being and prosperity is the people of this country. . . .

We have spoken on many occasions of the need to achieve high economic growth as an absolute priority for our country. The annual address for 2003 set for the first time the goal of doubling gross domestic product within a decade. The calculation is not hard to make: to achieve this goal, our economy needs to grow at a rate of just over seven percent a year.

On the surface we look to be keeping to our objectives and have had average economic growth of around seven percent for the past three years, but I want to stress that if we do not address certain issues, do not improve our basic macro-economic indicators, do not ensure the necessary level of economic freedom, do not create equal conditions for competition, and do not strengthen property rights, we will be unlikely to achieve our stated economic goals within the set deadline.

We have already begun taking concrete steps to change the structure of our economy and, as we have discussed a great deal, to give it a more innovative quality. I think that the government is moving in the right direction in this regard, but I would like to make the following points.

First, state investment is necessary, of course, but it is not the only means of achieving our objectives. Second, it is not the volume of investment that is important so much as an ability to choose the right priorities, while at the same time ensuring that we continue following the responsible economic policy we set five years ago.

After a long period during which we ran a budget deficit and faced sharp fluctuations of the ruble's exchange rate, the situation today is changing dramatically. We must maintain this financial stability that has been achieved as one of the basic conditions for increasing people's trust in the state and for encouraging entrepreneurs to invest money in business development.

Today's situation allows us to make a calmer and more sober assessment of the threats that Russia encounters as part of the world system, threats that represent a danger for our internal development and for our country's international interests.

We can make a more detailed examination of our place in the world economy. In a context of intensive competition, scientific and technological advantages are the defining factors for a country's economic development. Unfortunately, a large part of the technological equipment used by Russian industry today lags not just years but decades behind the most advanced technology the world can offer. Even allowing for the climate conditions in Russia, our energy use is many times less efficient than that of our direct competitors.

Yes, we know that this is the legacy of the way our economy and our industry developed during the Soviet period, but it is not enough just to know. We have to take concrete steps to change the situation. We must take serious measures to encourage investment in production, infrastructure, and innovative development while at the same time maintaining the financial stability we have achieved. Russia must realize its full potential in high-tech sectors such as modern energy technology, transport, communications, and space and aircraft building. Our country must become a major exporter of intellectual services.

Of course, we hope for increased entrepreneurial initiative in all sectors of the economy, and we will ensure all the necessary conditions for this to happen. But a real leap forward in the areas that I just mentioned, all areas in which our country has traditionally been strong, gives us the opportunity to use them as an engine for growth. This is a real opportunity to change the structure of our entire economy, and to establish for ourselves a worthy place in the international division of labor.

We already feel confident in the mining and extraction sector. Our companies in this sector are very competitive. Gazprom, for example, has just become the third biggest company in the world in terms of capitalization, while at the same time maintaining quite low tariffs for Russian consumers. This result did not just come about all on its own, but is the result of carefully planned action by the state.

But we cannot pat ourselves on the back and stop here. We need to put in place the conditions for more rapid technological modernization in the energy sector. We need to develop modern refining and processing facilities, build up our transport capacity and develop new and promising markets. And in doing all of this, we need to ensure both our own internal development needs and fulfill all of our obligations to our traditional partners.

We must also take steps to develop nuclear energy, a nuclear energy sector based on safe, new generation reactors. We need to consolidate Russia's position on the world markets for nuclear energy sector technology and equipment, and make full use here of our knowledge, experience, advanced technology, and of course, international cooperation. Restructuring in the nuclear energy industry itself also aims at enabling us to achieve these goals. We must, of course, also focus work on promising new directions in energy—hydrogen and thermonuclear energy.

We must also take action to make our energy consumption radically more efficient. This demand is not just a whim for a country rich in energy resources, but is an issue for our competitiveness in the context of integration into the world economy. It is an issue of the environmental security and quality of life for our people. I believe that only in this way can we ensure that Russia maintains a leading and stable position on energy markets in the long term. And in this way, Russia will be able to play a positive part in forming a common European energy strategy.

Our country has an advantageous geographical location, and we must make use of this factor to realize our potential in the very promising area of modern transport and communications. The key decision in this respect is comprehensive and interlinked development of all types of transport and communications. . . .

The reorganization of important sectors, such as aircraft and ship building, has been dragging on for an unjustifiably long time. The government must take rapid steps to finally complete work on establishing holdings in these sectors.

It is also extremely important for us to make the right choices in our development priorities for the space industry. We must not forget that the development of outer space is Russia's protective shield, gives us the possibility of detecting global natural cataclysms at an early stage and is a testing ground for new materials and technologies. These and other objectives all require considerable investment to modernize facilities producing equipment for the space industry, and to develop the infrastructure on the ground.

Russia has the potential to become one of the leaders in the field of nanotechnology. This sector represents one of the most promising directions for energy conservation and for developing new elements, medical technology, and robotics. I believe we must take rapid steps to draw up and adopt an effective program in this field.

I hope, too, that the implementation of the government's and the Russian Academy of Sciences' joint plans to modernize the science sector will be more than a formality, and will bring genuine results and provide our country's economy with promising new scientific developments.

Overall, what we need today is an innovative environment that will get new knowledge flowing. To do this, we need to create the necessary infrastructure: technology incubators, technology parks, venture funds, and investment funds. We are already doing this. We need to establish favorable tax conditions for financing innovative activities.

I believe, too, that the state should also facilitate the purchase of modern technology abroad. In this respect we have also taken some steps, first of all, of course, in order to modernize priority branches of industry. In this respect, I ask you to analyze the possibilities for channelling resources into the capital of the financial institutions involved in leasing, lending, and providing insurance for these types of contracts.

The WTO and the Ruble

Russia today needs unhindered access for its goods on international markets. We consider this an issue of more rational participation in the international division of labor and a question of making full use of the benefits offered by integration into the world economy. It is precisely for this reason that we are continuing our negotiations on accession to the World Trade Organization, based only on conditions that fully take into consideration Russia's economic interests. It is clear today that our economy is already more open than the economies of many of the members of this esteemed organization. The negotiations on Russia's accession to the WTO must not become a bargaining chip on issues that have nothing to do with this organization's activities.

In my address for 2003, I set the goal of making the ruble convertible. An outline of the steps to take was set out, and I must say that these steps are being taken. I propose today that we speed up the removal of the remaining restrictions and complete this work by July 1 of this year. But making the ruble genuinely convertible depends in great part on its attractiveness as an instrument for settlements and savings. In this respect, we still have a great deal of work to do. In particular, the ruble must become a more universal means for carrying out international settlements, and should gradually expand its zone of influence.

To this end, we need to organize markets on Russian territory for trading oil, gas, and other goods—markets that carry out their transactions in rubles. Our goods are traded on world markets, but why are they not traded here in Russia? The government should speed up work on settling these issues.

As I said before, our growing economic possibilities have enabled us to allocate additional money to the social sphere—investment in our people's prosperity and in Russia's future.

[Putin then reported progress on the four National Project areas of affordable housing, agriculture, education, and health care.]

Demographics: The Most Important

And now for the most important matter. What is most important for our country? The Defense Ministry knows what is most important. Indeed, what I want to talk about is love, women, and children. I want to talk about the family, about the most acute problem facing our country today—the demographic problem.

The economic and social development issues our country faces today are closely interlinked to one simple question: Who we are doing this all for? You know that our country's population is declining by an average of almost 700,000 people a year. We have raised this issue on many occasions but have for the most part done very little to address it. Resolving this problem requires us to take the following steps.

First, we need to lower the death rate. Second, we need an effective migration policy. And third, we need to increase the birth rate.

The government just recently adopted a program for improving road safety. . . .

We are taking measures to prevent the import and production of bootleg alcohol. The national health-care project is rightly focussing on the detection, prevention, and treatment of cardiovascular disease, and of other illnesses that are high causes of death among our population.

Regarding migration policy, our priority remains to attract our compatriots from abroad. In this regard we need to encourage skilled migration to our country, encourage educated and law-abiding people to come to Russia. People coming to our country must treat our culture and national traditions with respect.

But no amount of migration will resolve our demographic problems, if we do not also put in place the conditions and incentives for encouraging the birth rate to rise here in our own country. We cannot resolve this problem unless we adopt effective support program for mothers, children, and families. Even the small increase in the birth rate and the drop in infant mortality we have seen of late are not so much the result of concerted effort in this area as of the general improvement in the country's socio-economic outlook. It is good to see this improvement, but it is not enough.

The work we have carried out on social projects over these last years has laid a good base, including for resolving the demographic problem, but it is still inadmissibly insufficient, and you know why. The situation in this area is critical.

Distinguished members of the Federal Council, you will soon begin work on the budget for 2007, the year of elections to the State Duma. Understandably, the budget adoption process will be determined in large part by your desire to do as much as you can for your voters. But if we really want to do something useful and necessary for our citizens, I propose that you lay aside political ambitions, and don't disperse resources, and that we concentrate on resolving the most vital problems the country faces, one of which is the demographic problem, or, as Solzhenitsyn put it, the issue of "conserving the people" in the broad sense. All the more so as there is a public consensus that we must first of all address this key problem affecting our country.

I am sure that if you do this, you will reap the gratitude of millions of mothers, young families, and all the people of our country.

What am I talking about specifically? I propose a program to encourage childbirth. In particular, I propose measures to support young families, and support women who decide to give birth and raise children. Our aim should be at the least to encourage families to have a second child. What stops young families, women, from making such a decision today, especially when we're talking of having a second or third child? The answers are well known. They include low incomes, inadequate housing conditions, doubts as to their own ability to ensure the child a decent level of health care and education, and—let's be honest—sometimes doubts as to whether they

will even be able to feed the child.

Women planning to have a child face the choice of either giving birth and losing their jobs, or not giving birth. This is a very difficult choice. The program to encourage childbirth should include a whole series of administrative, financial, and social support measures for young families. All of these measures are equally important but nothing will bring results unless the necessary material support is provided.

What should we be doing today? I think that we need to significantly increase the childcare benefits for children under the age of one-and-a-half. Last year we increased this benefit from 500 rubles to 700 rubles. I know that many deputies actively supported this decision. I propose that we increase the childcare benefit for the first child from 700 rubles to 1,500 rubles a month, and that we increase the benefit for the second child to 3,000 rubles a month. Women who had jobs but then take maternity leave and child-care leave until [the child] is one-and-a-half, should receive from the state not less than 40 percent of their previous wage. . . .

We also need to work together with the regions to develop a program providing financial incentives for placing orphans and children whose parents are unable to care for them in family care. We currently have some 200,000 children living in children's homes and orphanages. In reality the number of orphans is far higher, but around 200,000 of them are in children's homes. It seems to me that foreigners are adopting more of our children than we ourselves are. I propose that we double the benefit paid to guardians or foster parents of children, and make it at least 4,000 rubles a month. I also propose considerably increasing the wage paid to foster parents from 1,000-1,500 rubles a month to 2,500 rubles a month. And we should also increase the one-off payment made to families taking in children, regardless of the form chosen for placing the child with a family, to 8,000 rubles, that is, equal to the one-off payment made for giving birth to a child.

I instruct the government to work together with the regions to create a mechanism that will make it possible to reduce the number of children in institutions. We likewise need to take care of the health of future mothers and newborn babies, and bring down the infant mortality and disability rates. . . .

Of course, carrying out all of these plans will require a lot of work and an immense amount of money. I ask you to work out the obligations the state would increasingly bear in this case over the years, and give the program a timeframe of at least ten years at the end of which the state can decide on future action depending on the economic and demographic situation in the country. Finally, the money needed to begin implementing these measures should be allocated in the budget for next year. . . .

Concluding on this subject, I note that we cannot resolve the problem of the low birth rate without changing the attitudes within our society to families and family values. Academician Likhachev once wrote that "love for one's homeland,

for one's country, starts with love for one's family." We need to restore these time-honored values of love, and care for family and home.

While concentrating on raising the birth rate and supporting young families, we must also not forget about the older generation. These are people who have devoted their entire lives to their country, who labored for their country and who, if necessary, rose to its defense. We must do all that we can to ensure them a decent life. As you know, we have raised pensions on a number of occasions over recent years, and ahead of the planned timeframe. Next year we will again raise pensions by almost 20 percent overall. . . .

Security Threats

In order to calmly and confidently resolve all the issues I have mentioned, issues of peaceful life, we need convincing responses to the national security threats that we face. The world is changing rapidly and a large number of new problems have arisen, problems that our country has found itself facing. . . .

The terrorist threat remains very real. Local conflicts remain a fertile breeding ground for terrorists, a source of their arms, and a field upon which they can test their strength in practice. These conflicts often arise on ethnic grounds, often with inter-religious conflict thrown in, which is artificially fomented and manipulated by extremists of all shades. I know that there are those out there who would like to see Russia become so mired in these problems that it will not be able to resolve its own problems and achieve full development.

The proliferation of weapons of mass destruction also represents a serious danger. If these weapons were to fall into the hands of terrorists, and they pursue this aim, the consequences would be simply disastrous. I stress that we unambiguously support strengthening the non-proliferation regime, without any exceptions, on the basis of international law. We know that strong-arm methods rarely achieve the desired result, and that their consequences can even be more terrible than the original threat. . . .

The arms race has entered a new spiral today with the achievement of new levels of technology that raise the danger of the emergence of a whole arsenal of so-called destabilizing weapons. There are still no clear guarantees that weapons, including nuclear weapons, will not be deployed in outer space. There is the potential threat of the creation and proliferation of small capacity nuclear charges. Furthermore, the media and expert circles are already discussing plans to use intercontinental ballistic missiles to carry non-nuclear warheads. The launch of such a missile could provoke an inappropriate response from one of the nuclear powers, could provoke a full-scale counterattack using strategic nuclear forces.

And meanwhile far from everyone in the world has abandoned the old bloc mentality and the prejudices inherited from the era of global confrontation, despite the great

changes that have taken place. . . . Finally, we need to make very clear that the key responsibility for countering all of these threats and ensuring global security will lie with the world's leading powers, the countries that possess nuclear weapons and powerful levers of military and political influence. This is why the issue of modernizing Russia's Armed Forces is extremely important today, and is of such concern to Russian society. . . . Today I want to look more closely at the current state of the Russian Armed Forces and their development prospects.

These days we are honoring our veterans and congratulating them on Victory Day. One of the biggest lessons of World War II is the importance of maintaining the combat readiness of the armed forces. I point out that our defense spending as a share of GDP is comparable or slightly less than in the other nuclear powers, France or Britain, for example. In terms of absolute figures, and we all know that in the end it is absolute figures that count, our defense spending is half that of the countries I mentioned, and bears no comparison at all with the defense spending figures in the United States. Their defense budget in absolute figures is almost 25 times larger than Russia's. This is what in defense is referred to as "their home—their fortress." And good for them, I say. Well done!

But this means that we also need to build our home and make it strong and well protected. We see, after all, what is going on in the world. The wolf knows whom to eat, as the

saying goes. It knows whom to eat and is not about to listen to anyone, it seems.

How quickly all the pathos of the need to fight for human rights and democracy is laid aside, the moment the need to realize one's own interests comes to the fore. In the name of one's own interests, everything is possible, it turns out, and there are no limits. But though we realize the full seriousness of this problem, we must not repeat the mistakes of the Soviet Union, the mistakes of the Cold War era, neither in politics nor in defense strategy. We must not resolve our defense issues at the expense of economic and social development. This is a dead end road that ultimately leaves a country's reserves exhausted. There is no future in it.

Of course, the question arises whether we can reliably ensure our security in a situation of such disparity with the other leading powers. Of course we can, and I will say how now. I propose that we look at this issue in more detail. . . .

We have created a modern structure for the armed forces, and the different units are now receiving modern, new arms and equipment, arms and equipment that will form the basis of our defense through to 2020. This year saw the start of mass defense equipment procurement for the Defense Ministry's needs.

Naval shipbuilding has gotten under way again and we are now building new vessels of practically all types. The Russian Navy will soon commission two new nuclear submarines carrying strategic weapons. They will be equipped with the new Bulava missile system, which together with the Topol-M system will form the backbone of our strategic deterrent force. I emphasize that these are the first nuclear submarines to be completed in modern Russia. We had not built a single vessel of this type since 1990.

Five Strategic Missile regiments have already received silo-based Topol-M missiles, and one of our missile divisions will also receive the mobile version of the Topol-M system this year.

Another important indicator over recent years is that intensive combat and operational training is being conducted among the troops. Dozens of field exercises and long-distance sea voyages have been organized. One just finished today. The result of these changes has been to boost combat spirit and improve the morale of soldiers and officers. . . .

Over the next five years we will have to significantly increase the number of modern long-range aircraft, submarines, and launch systems in our strategic nuclear forces. Work is already under way today on creating unique high-precision weapons systems and maneuverable combat units that will have an unpredictable flight trajectory for the potential opponent. Along with the means for overcoming anti-missile defenses that we already have, these new types of arms will enable us to maintain what is definitely one of the most important guarantees of lasting peace, namely, the strategic balance of forces.

We must take into account the plans and development

GENOCIDE RUSSIA AND THE NEW WORLD ORDER

Russia in the 1990s: "The rate of annual population loss has been more than double the rate of loss during the period of Stalinist repression and mass famine in the first half of the 1930s . . . There has been nothing like this in the thousand-year history of Russia."

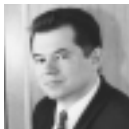
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vectors of other countries' armed forces, and we must keep ourselves informed on promising developments, but we should not go after quantity and simply throw our money to the wind. Our responses must be based on intellectual superiority. They will be asymmetrical, not as costly, but they will unquestionably make our nuclear triad more reliable and effective.

Modern Russia needs an army that has every possibility for making an adequate response to all the modern threats we face. We need armed forces able to simultaneously fight in global, regional and—if necessary—also in several local conflicts. We need armed forces that guarantee Russia's security and territorial integrity, no matter what the scenario. . . .

The armed forces units stationed in Chechnya are all manned by contract servicemen. As of January 1, 2007, the Interior Ministry troops in Chechnya will also all be contract servicemen. In other words, we will no longer use conscript servicemen at all in anti-terrorist operations.

By 2011, our general purpose forces should include around 600 permanently combat-ready units. A much larger number of such units will be created in fighter plane units and military aviation, in the air defense forces, communications, radio-electronic reconnaissance, and electronic warfare units. If need be, we will be able to quickly put into place mobile and self-sufficient units in any potentially dangerous area. Professionally trained units and permanently combat-ready units will form the backbone of these forces. . . .

A huge number of young men of conscript age today suffer from chronic diseases and have problems with drinking, smoking, and sometimes drugs as well. I think that in our schools we need not just to educate our young people but also see to their physical and patriotic development. We need to restore the system of pre-conscription military training and help develop military sports. The government should adopt the appropriate program in this area. . . .

Reflecting on the basic principles on which the Russian state should be built, the well-known Russian thinker Ivan Ilyin said that the calling of soldier is a high and honorable title and that the soldier "represents the national unity of the people, the will of the Russian state, strength, and honor." We must always be ready to repel potential aggression from outside and to counter international terrorist attack. We must be able to respond to attempts from any quarters to put foreign policy pressure on Russia, including with the aim of strengthening one's own position at our expense.

We also need to make clear that the stronger our armed forces are, the less the temptation for anyone to put such pressure on us, no matter under what pretext this is done.

Foreign Policy

Russia's modern foreign policy is based on the principles of pragmatism, predictability, and the supremacy of international law. I would like to say a few words today about the state of relations and prospects for cooperation with our main

partners, and above all, about relations with our nearest neighbors, with the countries of the CIS. The debate on the very need for and future of the Commonwealth of Independent States still continues to this day and we all have an interest in working on reform of the CIS.

I repeat that our relations with our closest neighbors were and remain a most important part of the Russian Federation's foreign policy.

I would like to say a few words briefly about our cooperation with our other partners.

Our biggest partner is the European Union. Our ongoing dialogue with the EU creates favorable conditions for mutually beneficial economic ties and for developing scientific, cultural, educational, and other exchanges. Our joint work on implementing the concept of the common spaces is an important part of the development of Europe as a whole.

Of great importance for us and for the entire international system, are our relations with the United States of America, with the People's Republic of China, with India, and also with the fast-growing countries of the Asia-Pacific Region, Latin America, and Africa. We are willing to take new steps to expand the areas and framework of our cooperation with these countries, increase cooperation in ensuring global and regional security, develop mutual trade and investment, and expand cultural and educational ties.

I wish to stress that at this time of globalization when a new international architecture is in the process of formation, the role of the United Nations Organization has taken on new importance. This is the most representative and universal international forum, and it remains the backbone of the modern world order. It is clear that the foundations of this global organization were laid during an entirely different era and that reform is indisputably necessary. . . .

In conclusion I would like to say once more that today's address, like previous addresses, sets out the basic directions of our domestic and foreign policy for the coming decades. They are designed for the long term, and are not dictated by fluctuations of the moment. Previous addresses have focused on construction of our political system, improving the state power system and local self-government, have examined in detail the modernization of our social sphere and have set new economic goals.

Today, I have set out our vision of what place we want to hold in the international division of labor and the new architecture of international relations. I have also examined in detail what we can do to resolve the complex demographic problem we face, and to develop our armed forces. The steps proposed are very concrete. Russia has immense development opportunities, and huge potential that we need to put to full use in order to better the lives of our people.

Without question, we realize the full scale of the work at hand. I am sure that we will be up to the task.

Thank you for your attention.