

What About Innovation?

While progress in the industrial policy is visible, there is not yet much motion in the direction of an innovation-based economy. Great expectations are connected with the person of Sergei Chemezov, who has become head of a state-owned corporation called Russian Technologies. A substantial portion of Russia's machine-building capacity is concentrated in this organization, leading to hopes that it might become the driving force for a powerful technological surge.

Chemezov, however, unexpectedly put forward the idea of establishing a state-owned mining and metallurgical concern. The logic behind this proposal is puzzling, to say the least. The Russian steel industry is well-developed and there is sufficient private capital engaged in it, to make supplementary state investment a matter of no special urgency. The same cannot be said for machine-tool production, where private capital is less eager to invest.

Furthermore, the steel industry is not the main sector for the development of new technologies at the present time. It would seem that Chemezov's project might deflect attention from the most import areas for technological innovation.

To date, it is almost exclusively the government and the state-owned corporations that are doing anything about innovation, while the private sector is less interested in developing and producing new technologies and new, improved, and high-quality types of products.

When Russian private companies need new machines, they prefer to buy them elsewhere, preferably abroad, than to produce them themselves. That is understandable, since the development and production of new equipment and technologies requires special R&D departments, which most of our private firms lack. This is why our industry has a systemic problem of technological backwardness. The lag can be overcome, only if we establish our own capacity to generate and produce innovative technologies. There is no other pathway than for companies to set up their own design bureaus, testing facilities, experimental plants, and other institutions for the development of science and technology.

This would be something entirely new for them, and very expensive. The private sector will not do it without special tax incentives. Merely an overall relaxation of the tax regime, such as lowering the value-added tax, will not help, if it is not linked to making investments in new technology. There are not yet any indications that the government is prepared to adopt special tax breaks, expressly designed to promote technological progress.

But it makes no sense to wait for favors from neo-liberal Minister of Finance Kudrin in this area. Prime Minister Putin will need to take the initiative here. With regard to technological advance, as well as other in areas of the economy, there will be no motion without his decisive intervention.

Russia, India, China

The Strategic Import of Eurasian Relations

by Ramtanu Maitra

A series of high-level discussions on global issues among Russia, India, and China in recent weeks, although blanked out by the Western media and most political leaders of the developed nations, has provided an opportunity to prevent a worldwide conflict, in the face of the financial meltdown, economic collapse, and irregular wars that threaten the world's people.

The three-nation combination—Russia, India, China, known as the RIC group—and representing a strategic triangle encompassing nearly half the population of the world, has begun to come to grips with deteriorating world situation, caused by the financially devastated and militarily overstretched United States, and the consolidation of the colonialist policies embodied by Britain. In other words, the RIC has come to realize that, if the present trend is allowed to continue, the nation-states will be torn apart by the pro-colonial forces, as they were in the 18th and 19th centuries, which led to two world wars in the 20th Century.

RIC Meeting

The first message on this new Eurasian combination was sent out from Yekaterinburg in Russia, where the foreign ministers of the RIC nation held a day-long discussion on May 15, followed up with a first-of-its-kind meeting with the foreign minister of Brazil, discussing the world situation at length. This meeting was followed by the May 23 visit of the newly elected Russian President Dimitri Medvedev to China and the June 4-7 visit of Indian External Affairs Minister Pranab Mukherjee to China. In addition, Syrian President Bashar al-Assad is scheduled to visit India in mid-June. One of Assad's prime objectives is to infuse the strategic triangle's input into the worsening Middle East situation.

The RIC meeting, the fourth annual meeting of this kind, the last having been held at Harbin, China in 2007, took place only a few days after Vladimir Putin had stepped down as President of Russia, and handed his mantle to Medvedev. *EIR* (May 23, 2008) reported on the importance of that meeting, but it is worth noting that in Yekaterinburg, the three foreign ministers dropped from the communiqué of their 2004 meeting, a reference to their nations' "divergent interests," and instead "reaffirmed the commonality in the approaches of the three countries" to global and regional problems.



Ministry of Information & Broadcasting/Gov't of India

Indian External Affairs Minister Pranab Mukherjee has evidenced a visible shift in India's position on international affairs, on such issues as Kosovo's "independence," Iran, and India's wish to join the Shanghai Cooperation Organization (SCO).

The RIC communiqué is particularly remarkable because of the visible shift of India's position in international affairs made clear by Mukherjee. On Kosovo, India shifted its position from "studying the evolving situation," to denouncing the Serbian enclave's unilateral independence as being "contrary to UN Security Council Resolution 1244," and calling for a resumption of talks between Belgrade and Pristina.

On Iran, Mukherjee reiterated India's recently developed stance on Iran's nuclear program, and asserted that all outstanding issues of Iran's nuclear program were to be resolved through the IAEA (International Atomic Energy Agency). Making clear that India supported Tehran's right to peaceful uses of nuclear energy, provided it fulfilled its international obligations, Mukherjee used the platform to warn the warhawks of the United States and Britain that "confrontation and destabilization" in the region have already adversely affected regional peace and stability.

In addition, Mukherjee's statement in Yekaterinburg, "Of course India would like to be a member in the SCO" (Shanghai Cooperation Organization), drove home the point that the strategic triangle is now getting ready to see the broader picture, and is willing to stabilize the vast Eurasian landmass. The SCO unites Russia, China, and four Central Asian states.

Less than a year ago, India, which enjoys the status of an observer in this six-nation grouping, indicated that it would not align with the SCO in military, strategic, and political terms, even though it would fully cooperate.

Mukherjee in China

The quickly arranged four-day visit of Mukherjee to China made evident that India is keen to consolidate the stra-

tegic triangle. Over the last few months, prior to the Yekaterinburg meeting, Mukherjee, who is the architect of India's new foreign policy direction, had made two important statements. The first was in January in an address to the Indian Statistical Institute in Kolkata, in which he said, "The entire world is looking at India and China as potential economic powers in the future, and in this connection, the two countries should cooperate and not compete."

The second statement was made public on April 3, when Mukherjee assured his Chinese counterpart, Yang Jiechi, over the phone, that India would not tolerate any political anti-China activities by Tibetans on Indian territory. It is evident that these two statements helped to bring about a better understanding between India and China, and, in a way, played

an important role in what happened in Yekaterinburg on May 15 and 16, and subsequently during Mukherjee's visit to China.

The shift in India's strategic thinking vis-à-vis China, and the strategic triangle as a whole, was revealed at Mukherjee's June 6 speech before the prestigious University of Beijing student body, titled, "A Century of Great Opportunities." Not cowed by the challenges that lie ahead, Mukherjee said: "I believe that India-China relations will be one of the more significant factors that will determine the course of human history in the 21st Century..."

Pointing out that India, like China, will continue to pursue an independent foreign policy, Mukherjee emphasized in his speech the importance of the recently held India-China-Russia trilateral meeting, and, for the first time, the stand-alone meeting of the foreign ministers of India, China, Russia, and Brazil, to discuss issues of common interest.

Noting that in an interdependent world, the prosperity and growth of both India and China is linked intimately with that of the world, Mukherjee said: "Today, both our countries require a peaceful external environment. Therefore, we should work together towards peace, security, and stability in Asia and beyond. For this, we will need to evolve a security architecture which takes into account the conditions prevailing in Asia. We cannot transplant ideas from other parts of the world. Nor should we seek to create such sub-regional security arrangements that are narrow and ultimately ineffective. An open and inclusive architecture, which is flexible enough to accommodate the great diversity which exists in Asia, is needed..."

Vasudhaiva Kutumbakam

Mukherjee also cited the classical Sanskrit text *Vasudhaiva Kutumbakam* (the world is one large family), to indicate that India continues with “an independent foreign policy based on the principles of non-alignment laid down by our first prime minister” (Jawaharlal Nehru), and which remains “anchored to the principles of *Pansheel* (five principles of peaceful coexistence), which were jointly articulated by India and China” in the 1950s.

During his speech, Mukherjee addressed the paralytic state of the world financial institutions and said that during Indian Prime Minister Manmohan Singh’s visit to China in January, India and China outlined a Shared Vision for the 21st Century, and agreed that there should be continuous democratization of international relations and the world order. “It is now widely recognized that the center of gravity of international relations is shifting towards Asia. However, global governance structures—be they in the political domain, such as the UN, or the economic domain, such as the IMF and World Bank—are still based on a world order that is a 60-year-old relic from the middle of the last century. There is an urgent need to restructure and democratize these global institutions, so that they are more attuned to the realities of the day.”

Mukherjee’s visit to China, his reordering of India’s foreign policy, and the enthusiasm that it has generated in Russia and China, were virtually ignored by Western press. Fortunately, it has not gone unnoticed altogether. In fact, it was noticed very clearly in the war-threatened Middle East, where the British-designed colonial policy is to keep the Israelis and the Arabs at each other’s throats, keep Shi’a and Sunni Muslims suspicious of each other, and keep the oil and gas fields of the Middle East under the control of Western multinationals.

As a result of the consolidation of the strategic triangle, Syrian President Assad has announced that he would be visiting India in mid-June—the first Syrian head of state to visit India since 1978.

Syrian Recognition

In a June 8 interview from Damascus with the Indian news daily *The Hindu*, widely acknowledged in New Delhi as close to the External Affairs Ministry, Assad made clear the purpose of his visit: “Now we are talking about a different India,” he said. “We are talking about the rise of India. With the rise of India and China we have a different Asia and a different world. We have, let us say, more hopes than we had in the past. Maybe the policies of India at that time were different as part of the Non-Aligned movement. At that time we used to look at India as a closer country, but now we see it a big country, an important country; so we have different hopes but in the same way. So, the question is what role India can play in the world, especially regarding our issues, like the peace issue, the Iraq and Palestine issues and all

these problems. How we can cooperate on them. So, this is about politics. India and China should play a role with other countries in making a balance that we have missed for more than 18 years now. It is almost 20 years, because this happened in the late 1980s, even before the dissolution of the Soviet Union.”

When *The Hindu* interviewer asked if he thought that India should involve itself in the peace process, Assad’s answer was a categorical, “Yes.” Explaining, Assad said: “It has two aspects: the first aspect [is], if you are interested, you can play a direct role between the two sides, Syria and Israel, and the Palestinians and Israel. That will make the region more stable, and that will affect India itself in the long run, and the world at large, especially Asia. Second, it’s about the role that you can play through your weight or your position as India, a big country, in making dialogue with other powers of the world, that is, the United States, then Europe, your region. How can you help the Middle East become more stable; because you are going to be affected by our problems anyway, and you are already affected, I think. . . .”

What is decidedly driving Syria, which is carrying out indirect talks with Israel, through Turkey, to bring about peace on its borders, is the outcome of the Yekaterinburg meeting, Medvedev’s visit to China, and New Delhi’s realignment of its foreign policy.

In January 2006, when India decided to buy into a Syrian oilfield in partnership with China, the United States had issued a *démarche*, a copy of which is in the possession of *The Hindu*. The aide-mémoire had asked the Singh government to “reconsider” its proposed investment and was handed over to India’s Ministry of External Affairs.

Washington’s indignation stemmed from the fact that in December 2005, India’s ONGC Videsh Ltd. (OVL) and the China National Petroleum Corporation (CNPC) teamed up to purchase a 37% stake in the Syrian al-Furat oil and gas fields from Petro-Canada for \$573 million. The mature fields, jointly run by Shell, have proven reserves of 300 million barrels of oil equivalent. Indian officials consider the Syrian venture to be of enormous strategic significance, both for the value of the underlying assets, and the role it will play in cementing the China-India partnership for acquiring oil and gas equities in third countries.

While these developments are relatively recent, Russia has enjoyed long-term security relations with Syria. Reports were emerging long before the Israeli attacks on Lebanon that Russia had begun work on deepening the Syrian maritime port of Tartus, used by the Soviet Union, and later Russia, as a supply point since the the time of the Cold War, and widening a channel in Latakia, another Syrian port. Both ports are significant for Syria and Russia, in that they are near Ceyhan, Turkey, the receiving end of the Baku-Tbilisi-Ceyhan oil terminal, giving Russia and its partners the ability to secure the port and route during the outbreak of any potential future war.