nothing complicity of the past three administrations, are coming forward. Others will receive direct training from the military and law enforcement, and will receive both arms and stipends. The plan is to eventually absorb these citizens fully, as funding allows.

Uribe has named generals known for their toughness and battle experience, to head the Army and National Police. In a speech to the ranks of the José María Córdova Military School in Bogotá, he told the assembled ranks of officers and cadets: "Our compatriots have agreed, with unprecedented willingness, to pay a tax of 1% of the GNP . . . to support the Public Force. Now it is up to you and me to obtain results."

The Economic Battlefront

The Colombian President has thus far failed to take the necessary parallel actions on the economic battlefront. After years of suffering the ravages of narco-terrorism, on the one hand, and the neo-liberal economic recipes of free trade, on the other, the Colombian economy is devastated, its social fabric on the verge of disintegration. Action on the one front, and not the other, is a doomed strategy.

The two newly named economic czars of the Uribe Administration—Finance Minister and former International Monetary Fund employee Roberto Junguito and "adviser" Rudolf Hommes—are advocates of continuing those same neo-liberal austerity policies. Worse, Hommes—whose reign as "minister of free trade" under the César Gaviria government from 1990-94 earned him the undying hatred of the majority of Colombians—is currently a board member of the Violy Byorum & Partners investment house. It was VB&P which facilitated follow-up meetings in Colombia to the visit of New York Stock Exchange Chairman Richard Grasso to FARC headquarters in 1999.

As long as Uribe's economic policy is dictated by the same financial elites who see the FARC's cocaine trafficking as a free trade "opportunity," Uribe's war on narco-terrorism is doomed and Colombia's future with it.

Colombia's Ibero-American Solidarity Movement (MSIA) President Maximiliano Londoño described the economic state of affairs, in July, as follows: "Official rates of unemployment are around 20%, and underemployment another 30%; industrial production has fallen between 50 and 75%; annual import of food is equivalent to 10 million tons. . . . Debt service consumes 50% of the current national budget." Londoño, a long-time associate of U.S. Presidential precandidate Lyndon LaRouche, published an "Open Letter to President Uribe: How To Reactivate the National Economy," a 75-page memorandum, urging that the nation's economic recovery be centered around urgently needed national infrastructure projects (transportation, energy, communications, water supply, etc.) and reactivation of industrial and agricultural production through long-term, low-interest credit. Junguito and Hommes, in stark contrast, insist that the war on terrorism can only be funded by cutting back investment and public spending.

Global Crisis Heats Up Russia's Policy Fights

by Rachel Douglas

Turmoil continues around the reportedly pending plan of Russian Presidential Administration official Dmitri Kozak, to change ownership and/or taxation policies for the country's natural resources. Elements of the plan (as described in a version leaked by Interfax in late July) echo Academician Dmitri Lvov's often repeated demand, to "place our national wealth on the balance sheet of the state." Various Russian papers, joined by *The Wall Street Journal,* shrieked that the cancellation of licenses for raw-materials exploitation, and their replacement by a concession system, would mean "re-nationalization." Proposals for revising the Law on Natural Resources are due to be submitted to the government by Oct. 1.

The similarities to Lvov's proposals were not missed. Christopher Kenneth, in *The Russia Journal* of Aug. 2-8, noted that Kozak's reported recommendation "echoes a similar view expressed earlier this year in national media by Dmitri Lvov," who had told *Pravda:* "If the major part of our national income is generated not by labor and capital but from rents on natural resources, then these assets should not be made a subject for private entrepreneurship, which channels revenues to only a select few. Rather, the assets should belong to all Russians. . . . A law to make the state the sole owner with rights to exploit these resources, and making concerted efforts to forestall any further attempt to sell government's stakes in this sector, would be a big step forward in correcting the situation."

Capital investment and production growth are falling sharply in Russia over 2002, after several years of apparent improvement; large wage arrears have reappeared in state budgets. Academician Lvov, Dr. Sergei Glazyev, and other Russian Academy of Sciences economists met with President Vladimir Putin in March, on the subject of how to find a solid foundation for economic growth, but there had been little reflection of those discussions in policy, until reports surfaced about the Kozak plan.

Speaking to Interfax on Aug. 8, Vice Premier and Finance Minister Aleksei Kudrin gave strange "assurances": "I can say today: We are not going to face a default, we'll not have a devaluation which would damage the savings of the population or make them convert them into dollars or euro."

In commentary in *Izvestia*, Svetlana Babayeva and Yelena Krop emphasized that the compulsion to assure the population

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that everything is "okay, really," indicates that something is wrong. "The fact is that after a number of populist social measures, following a number of populist tax measures, the government is short of money," they wrote. According to the paper, "in the next year, we'll have to forget about a budget surplus."

Mikhail Zadornov, deputy head of the Duma's Budget Committee, tied Kudrin's "reassurance" to the American economic crisis: "When the threat of a continued recession in the United States is regarded as serious, and when nobody can provide a substantiated prognosis of prices for oil, gas, and metals, it is dangerous for the country."

Glazyev Calls for National Banking

Economist Sergei Glazyev, currently campaigning for the governorship of Krasnoyarsk Territory in Siberia, gave a webcast press conference Aug. 2 on the pre-announced topic, "Why Has the Russian Government Been Named Among the Least Effective in the World?" Glazyev stressed the huge wage arrears to teachers and doctors in Russia, and the government's blocking of proposals—even when President Putin has verbally endorsed them—for channeling raw materials earnings into investment for the good of the nation.

Glazyev revealed that during the President's meeting with him, Academician Lvov, and other economists last Spring, Putin had agreed to their version of a "debt for investment" scheme. Instead of dedicating one-third of Federal budget spending to servicing the foreign debt, the economists proposed "to refuse to pay on foreign debts in dollars, and to suggest to the creditors to receive the debts in the form of rubles, and the rubles should be spent inside Russia. This is the debt-in-exchange-for-investment scheme, on condition that it will not be converted into dollars, but rather be spent on investment in real production projects."

In a question-and-answer session, Glazyev took the opportunity to develop a concept of national banking. "The Central Bank has never had the guts," he said, "to start using mechanisms for supporting economic growth. . . . What is the main function of the Central Bank? It should organize credit within the economy. It should enable industry and agriculture to provide credit for their development. Modern economic growth began in the 18th Century when the states mastered the instruments of the Central Bank and learned to create credits. Our Central Bank has voluntarily given up that main function. Who needs such a Central Bank anyway?"

The very same issue has come to the fore in Poland, where government changes have been forced by a movement for exactly this idea of national banking for development.

The solution within Russia, Glazyev argued, "is to deploy a network of development banks. The development bank will work with state guarantees . . . extending credits to develop production in priority scientific and technological areas. That is, the spheres that can bring about an economic breakthrough. For example, we have a competitive edge in rocket and space technology, in the aviation industry, in science-intensive instrument building, such as laser technology, we have some promising results in molecular biology. . . .

"We propose to set up a system of development banks, and to deploy a system of support of small business through special funds in addition to development banks and agricultural banks, to create mechanisms of mortgage crediting of housing through specialized banking institutions in the regions, to deploy an export-import bank that would guarantee and issue export credits to promote the products of our engineering industry abroad."

Menshikov Comments on Kozak Plan

A supporter of Academician Lvov's concept, Prof. Stanislav Menshikov, analyzed the Kozak proposal in his Aug. 2 column in *The Moscow Tribune.*

This "really surprising" document, Menshikov says, "claims that not only all mineral deposits belong to the state, but also the products of their exploitation. If this document is adopted, oil companies will lose their current licenses for oil fields and will have to sign concession agreements, under which they would be compensated for costs plus a 'normal profit,' but the remaining revenue would belong to the government. It is no secret that oil companies reap an enormous superprofit from their low production costs and the much higher world prices. Last year, Putin suggested taxing away most of that mineral rent and using it to finance manufacturing, particularly high-tech industries. Due to sabotage from the Kasyanov Cabinet, nothing came out of this idea. Today the President has returned to his old plan and put it into an extreme form that is close to de facto nationalization."

Since the Kozak plan would likely be opposed by the Kasyanov Cabinet and "either buried or emasculated on the way to Parliament," Menshikov suggested that it might become "another test of strength between the President and the Prime Minister, with the oligarchs taking Kasyanov's side this time around."

When Putin called for the repatriation of Russian flight capital, two months ago, he promptly closeted himself with former Mezhkombank chief Sergei Pugachov, to hammer out detailed proposals. In the case of the raw-materials legislation, too, the raw-materials magnates quickly entered the picture. Yukos Oil's owner, Mikhail Khodorkovsky, supported the Kozak plan, as did Mikhail Fridman, chairman of Alfa Group, who said, "It doesn't matter whether it's called a concession or a licensing agreement. What is important, is that the government cannot tear it up unilaterally." Each of them met with Kozak the week of July 29. *The Moscow Times* and *Vedomosti* reported Aug. 5 and Aug. 7, respectively, that Kozak's draft law has been revised so as not to transfer ownership of the resources in the ground to the state, after all, but to increase taxes collected at the well-head.