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Medvedev calls for economic changes

Russian President Dmitry Medvedev called on his country Thursday to shed its "humiliating" dependence on exports of oil and other raw materials and to adopt a more pragmatic foreign policy aimed at attracting investment and promoting growth.

In an unusually blunt appraisal of the state of his nation, Medvedev also warned that Russia has been hit harder than most by the global economic crisis and needs to undertake sweeping reforms to build a modern, high-tech economy if it is to remain a world power.

"Our relations with other countries should be focused on the task of modernizing Russia. We mustn't, as they say, puff out our chests", he said during a 100-minute televised address. "We are interested in the flow of capital, new technologies and modern ideas."

Medvedev avoided directly criticizing his patron and predecessor, Prime Minister Vladimir Putin, who sat without smiling in the audience of lawmakers and other officials at the Kremlin. But the speech represented a subtle rebuke of Putin's legacy. In his most stinging remarks, Medvedev said the country had been "kept afloat" by Soviet-era achievements, without mentioning Putin's eight years as president.

"The nation's prestige and prosperity cannot be upheld forever by the achievements of the past", he said, citing Russia's nuclear arsenal, oil and gas production and industrial infrastructure. "This was all largely built by Soviet specialists. In other words, we didn't create them."

"We have to admit that in previous years we failed to do enough to solve problems inherited from the past", he added. "We have failed so far to dismiss the economy's

primitive structure, the humiliating dependence on raw materials, and to reorient production to people's real needs".

High energy prices have lulled the country into a dangerous complacency, Medvedev argued, creating "illusions that structural reforms could wait". He said Russia needs to focus on innovation, including in agriculture, pharmaceuticals and nuclear energy, and perhaps attempt flights to other planets.

Since taking office as Putin's handpicked successor last year, Medvedev has often outlined ambitious plans for reform, but he has yet to make significant changes. In recent months, though, he has stepped up efforts to set himself apart from Putin, who remains Russia's most powerful politician.

Although Putin promoted a prickly foreign policy aimed at restoring Moscow's clout in the world, especially in the former Eastern bloc, Medvedev said Thursday that Russia should avoid "chaotic actions driven by nostalgia and prejudice".

Instead, he said, Russian foreign policy should be "judged by a simple criterion: Does it improve living standards in our country?".

And although Putin presided over a steady expansion of the state's role in the economy – it accounts for as much as half of Russia's gross domestic product – Medvedev said the government needed to step back. He singled out the giant state corporations established under Putin, saying they had "no future" and should be audited, dismantled and privatized.

Medvedev did not blame the recession on the United States, as Putin has often done, and instead urged his countrymen to take responsibility for the nation's woes, including what he called the "shamefully low" competitiveness of its manufacturers.

"We shouldn't be looking for the guilty party abroad", he said.

Officials in the government have been feuding for months over economic policy, and Medvedev firmly positioned himself with those who argue that Russia must use the economic crisis to tackle painful structural reforms instead of muddling through with rising oil prices.

His address followed a lengthy article published in September titled "Go, Russia!" and covering many of the same themes. But while the essay emphasized that Russia needs to build real democratic institutions, Medvedev devoted only a small portion of his speech to political reform, proposing measures to make it easier for opposition parties to participate in local elections.

Pro-democracy politicians dismissed the changes as cosmetic, complaining that Medvedev said nothing about widespread fraud in local elections last month or the persecution of journalists and human rights activists.

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