

# Russian president seeks closer economic and strategic ties in Beijing

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Russian President Vladimir Putin has concluded a state visit to China, designed to cement closer ties. The two countries confront provocative steps by the US to isolate them and an American-led military build-up in both Eastern Europe and the Asia Pacific.

Speaking on Saturday, Putin said the relations between Russia and China had “the character of an all-embracing and strategic partnership.” Chinese President Xi Jinping noted that he and Putin had “decided that the more complicated the international situation, the more determined we should be guided by the spirit of strategic cooperation and the idea of eternal friendship.”

While not naming Washington, the two leaders voiced concern over increasingly “negative factors” affecting global security. “Some countries and military-political alliances seek decisive advantages in military... technology, so as to serve their own interests through use of or threatening the use of force in international affairs,” a joint statement declared.

Putin and Xi specifically criticised the “unilateral deployment of anti-missile systems all over the world” and insisted that such weaponry was being placed in Europe and Asia under false pretences. The US has deployed anti-ballistic missile systems to Eastern Europe and East Asia on the pretext of countering so-called rogue states such as Iran and North Korea.

In reality, the Pentagon’s positioning of anti-missile systems close to China and Russia is a key element of its preparations for fighting a war against the two nuclear armed powers. Far from being defensive, this weaponry is designed to counter any Russian or Chinese missiles that survived a devastating US first nuclear strike.

The *Financial Times* reported on Friday that the Chinese and Russian militaries held a five-day

computer simulation last month to test, for the first time, a joint response to a ballistic missile attack. The exercise, according to the Russian defence ministry, “was not directed against any third country,” but no one was in any doubt that the “aggressor” in the simulation was the United States.

Russian analyst Vasily Kashin said the exercise demonstrated “a new level of trust” between the two countries. “The ability to share information in such a sensitive area as missile launch warning systems and ballistic missile defence indicates something beyond simple co-operation,” he told the newspaper.

As part of the Shanghai Cooperation Organisation, Russia and China have engaged, along with various Central Asian countries, in a widening range of military exercises. Russia also supplies China with some of its most sophisticated weaponry.

Nevertheless, while Russia and China are being driven together by common concerns about US aggression, tensions remain.

During his visit, Putin said: “Russia and China stick to points of view which are very close to each other or are almost the same in the international area.” However, both countries have economic and strategic interests in Central Asia, which they are pursuing through competing plans—China through its One Belt, One Road strategy and Russia through its proposal for a Eurasian Economic Union.

Putin emphasised there should be a “converging” of the two national development strategies, in large part because Russia is in no position to compete with China’s planned outlays of tens of billions of dollars to construct transport, pipeline and other infrastructure connecting China with Europe via land and sea. As a concession, China is in discussion with Russia about an agreement to provide loans for a high-speed rail link

between Moscow and the city of Kazan.

Putin was also keen to consolidate trade and investment with China. During his 2014 visit to Shanghai, he signed a massive \$400 billion gas deal to supply China that followed a \$270 billion oil contract with China the previous year. Russia has turned to China in response to sanctions imposed by the US and its European allies to punish Moscow over its annexation of Crimea in 2014. However, most of these framework accords have yet to result in firm contracts, amid ongoing haggling about details, particularly price.

Chinese lenders have agreed to a \$12 billion loan to help fund the Arctic Yamal LNG project and limited Chinese investment has started to flow into Russian mining projects and agriculture. However, Boris Titov, chairman of the Russian-Chinese Committee of Peace, Friendship and Development, complained in an email to the *Bloomberg* website: “The Chinese take a long time to decide. All the big banks are afraid of how sanctions may affect them, since they’re part of the international payments system.”

The collapse of world energy prices has had a huge impact on the Russian economy. According to World Bank estimates, it will again shrink this year—by 1.6 percent—before recovering next year. Russian-Chinese bilateral trade has plunged by 28.6 percent from \$95.3 billion in 2014 to \$68.6 billion in 2015—in part as a result of falling prices, but also because of the marked slowdown in the Chinese economy.

Energy accounts for two thirds of Russian exports to China. In May, Russia surpassed Saudi Arabia as the largest supplier of crude oil to China for the third month in a row.

Putin and Xi reportedly sealed a raft of agreements during the visit, including the sale of stakes in a number of Russian projects to Chinese firms, an oil supply contract and joint investments in petrochemical projects in Russia.

Rosneft, Russia’s leading oil producer, agreed to the China National Chemical Corporation (ChemChina) taking a 40 percent stake in its planned petrochemical complex VNHK in Russia’s far east. The two companies also signed for Rosneft to supply ChemChina with up to 2.4 million tonnes of crude oil over the coming year.

Frictions between the two countries will undoubtedly continue over economic and strategic matters, but the

two countries are being driven closer together by fears of the growing danger of war posed by the United States.



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