

# Russia's Putin Prepares for Another Landmark Visit to China

by Rachel Douglas

Sept. 19—Russian Prime Minister Vladimir Putin will visit China in October, he confirmed at a Sept. 14 meeting in Moscow with Wu Bangguo, chairman of the Chinese National People's Congress Standing Committee. The Chinese-Russian governmental meeting promises to be crucial in the process Lyndon LaRouche has identified as "the unique solution for preventing the world from going into the deepest depression you ever saw" (LPAC-TV Weekly Report, Sept. 14, 2011): namely, agreement among the United States, Russia, and China on an economic cooperation policy to conquer new scientific, as well as geographical frontiers.

In October 2009, Putin made a breakthrough visit to China, signing bilateral agreements on long-term railroad development (including high-speed rail), nuclear energy, space exploration, and other advanced technology areas, as well as oil and gas. At the time, LaRouche said that if China were to use its huge (and endangered) U.S. dollar reserves for real-economy international development projects, this could become a key step in creating a new world credit system, led by the United States, Russia, and China, and oriented to promoting physical economic development (*EIR*,<sup>1</sup> Oct. 30, 2009.)

Now the same potential is on the agenda in an even more dire phase of the worldwide general breakdown crisis, in which leading governments and other institutions of the trans-Atlantic region have utterly failed to take any measures other than those leading to hyperinflation and genocide.

Putin's China trip also comes as he intensifies his political activity within Russia, in connection with the December 2011 State Duma elections and his own possible candidacy for a return to the Presidency in 2012. Putin and several of his close allies have focused much attention in the recent period on development of Siberia and the Russian Far East.

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1. [http://www.larouche.org/other/2009/3642lar\\_ru\\_china\\_coop.html](http://www.larouche.org/other/2009/3642lar_ru_china_coop.html)

## Chinese Investment in Russia

This year is the tenth anniversary of the Russian-Chinese Good-Neighbor Friendship Treaty, which then-President Putin signed in July 2001 with China's then-President Jiang Zemin. At their Sept. 14 talks this year, Wu emphasized the respect Putin has gained in China, first as President and then as Prime Minister, telling him: "You will chair the 16th meeting between the heads of government of China and Russia. You are very well known in China as a politician and a big friend of our people. Russia has progressed considerably in its development over the past ten years when you were Russia's President and Prime Minister, which has won you the love of the Russian people and respect among the Chinese people.

"As we have noticed, you have formulated new objectives for Russia, in particular to become one of the world's top five economies by 2020. . . . You said that by that time Russia should firmly stand on two pillars: the traditional pillar of the energy and defense industries, and the pillar of innovation. I am confident that Russia will achieve these impressive results under your guidance."

Days after the Putin-Wu meeting, it was announced that Putin is a leading candidate for China's Confucius Peace Prize this year.

A Chinese Ministry of Foreign Affairs press release on Wu's visit outlined his proposals for deepening Chinese-Russian relations. Wu put forward cooperation on major industrial projects and expanding trade, especially in machinery and high-tech products, to reach \$100 billion by 2015, and \$200 billion by 2020. China and Russia should speed up natural gas pipeline construction and other energy cooperation, including on nuclear power, coal, and trade in electricity.

Another initiative to promote joint infrastructure investment was highlighted by Wang Huajiang, a senior Chinese National Development Commission official responsible for Northeast China, on Sept. 12 at the



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*Prime Minister Putin welcomes Wu Bangguo, chairman of the Chinese National People's Congress Standing Committee, in Moscow on Sept. 14. Putin confirmed that he will visit China in October.*

opening of the annual Baikal Economic Forum (BEF) in Irkutsk, Russia. He said that China, which last year invested more in the Russian Far East region than Russia's own federal government did, is planning to establish a special fund to support investment in Russia. It will be a joint undertaking with Russia, to support small and medium-sized Chinese businesses investing in Russia.

At the Baikal Forum, the two sides also discussed large-scale infrastructure. Russian Railways Senior Vice-President Valeri Reshetnikov told the BEF audience about plans to restore the Russia-China border crossing at Makhalin Hunchun (China), and in the future, to build a new bridge over the Amur (Heilongjiang) River, which demarcates the border in this area, connecting Nizhneleninskoye on the Russian side to Tongjiang in China. Russian Railways has prepared a feasibility study on the Nizhneleninskoye-Tongjiang bridge and on reconstructing the Russian Birobidzhan-Leninsk line, in the Jewish Autonomous Region north of the Amur.

The Amur bridge will service a mining and metallurgical development cluster in the Amur Region, Regional Development Minister Viktor Basargin told the Baikal Forum. One major project there is to develop a huge coal field, planned to produce coal for export to China. The bridge will shorten the cargo route by 1,400

km. Giving an idea of the dearth of infrastructure in this vast region, Basargin said that this "will be the only permanent railway bridge across the Amur River in 3,000 kilometers of the Russian-Chinese border."

The Amur Region is also the location of Russia's new Cosmodrome Vostochny, the full-service national space launch center for which Putin gave the go-ahead in 2007. It is currently under construction, with a set of related industries and a town to house 30,000 people.

This past April, Xinhua news agency reported that Chinese investors already put \$3 billion into special zones along the China-Russia border in 2010, although Moscow had allocated less than \$1 billion to the Amur, Maritime, Khabarovsk, and Jewish Autonomous Regions in the same

period. Moscow is, however, proposing to invest a hundred times that much in the region over the next five years, with China as a key partner in building roads, railways, and ports. This shift will address a strategic problem identified by Basargin in Irkutsk: without concerted efforts to develop and repopulate the region, foreign investment in Siberia and the Far East would continue to look like a "vacuum cleaner," with investors sucking out raw materials, but leaving the region undeveloped and desolate.

Xinhua reported from the Baikal Forum that Russian and Chinese delegates addressed these difficult issues openly. Russia is a rough place to invest, according to the Chinese side, while the Russian side complained that the Chinese were only interested in big projects, not small or medium-sized ones. Zhang Guobao, former head of China's National Administration of Energy, told Xinhua that this was a rare "open and frank" discussion. The real issue of economic cooperation is not money, but real trust and coordination, he said.

Delegates to this year's BEF, from 28 countries and 15 Russian regions, included high-level attendance from the U.S.-Russia Business Council. The gathering was followed by a three-day forum titled "Europe-Russia-Asia Pacific Region: the Development of Transport Infrastructure." Thus, the BEF followed the August Ya-

kutsk conference on Northeast Russia's infrastructure development (see *EIR*, Sept. 2, 2011) as a venue for exploration of this essential area of international cooperation.

### **Railroads and Floating Nuclear Plants**

*World Nuclear News* reported Sept. 18 that a high-level meeting of Chinese and Russian nuclear leaders resulted in an agreement to develop cooperation on floating nuclear power plants. "Our Chinese partners have shown great interest in the Russian project," said Rosatom chief Sergei Kiriyenko, referring to the first floating plant, called the Academician Lomonosov, being built in Saint Petersburg. The Lomonosov, whose hull was completed last year, will host two 35 MW reactors.

The floating NPP project was announced in 2006 under the administration of then-President Putin. Within a year there were discussions between Russia and China on the technology. Early plans for the plant had foreseen the Russian marine power reactors being fitted to a Chinese-built barge.

The countries are also discussing cooperation for space nuclear power systems, and from mid-2012 Russia will supply radioisotope thermal generators to the Chinese space program. Further nuclear cooperation should be on the table during Putin's upcoming visit.

Another element of Russian-Chinese rail cooperation intersects efforts to cool out tensions on the Korean peninsula. At the BEF, Reshetnikov described the planned demonstration rail freight transport project among Russia and North and South Korea, planned for next year. *China Daily*, meanwhile, hailed the recent motion toward Russian-North Korea-South Korea natural gas and rail links as a potential spur for the long-delayed Tumen River development project (featured in *EIR*'s 1996 *Special Report: The Eurasian Land-Bridge*).

The newspaper reported that China sees the development breakthroughs around the North Korea Rajin area, near the border with Russia, as vital to the resurrection of the Tumen River Area Development Project, an ambitious project by China, North Korea, South Korea, Russia, Mongolia, and Japan, to create a new transportation and trade hub for Northeast Asia. Sidetracked for decades by political sabotage, the Chinese-North Korean development project to give Jilin province a Pacific Ocean outlet at Rajin, as well

as the plans of Russia, North Korea, and South Korea for natural gas pipeline and railroad connections down the peninsula, have brought new life to the Tumen idea.

"We are stepping up efforts to establish the infrastructure and transportation network, aiming to develop Hunchun [in China] and Rajin-Sonbong [in North Korea] into a trade hub for several Northeast Asian countries," said Wang Xiaoping, head of the Tumen River Area Cooperation Division of the Jilin provincial government. "Trade and investment in Rajin-Sonbong and Hunchun are at the heart of our ambitions to develop the Tumen River area," Wang said.

### **Traditional Approaches Don't Work**

On Sept. 16, Putin gave a major speech on the global economic crisis and his perspective for transforming the Russian economy, at the Tenth International Investment Forum Sochi-2011, held on the Russian Black Sea coast. He emphasized that "traditional approaches" are not working, either internationally or within Russia, and insisted on Russia's commitment—no matter what happens internationally—to creating a new generation of leaders, committed to growth of the real economy. He called on Russians who share this view to run for the State Duma in December's elections, on the United Russia party slate.

Citing the U.S. credit downgrade, the 10% drop of European stock indexes in August, and the ongoing sovereign debt crisis, Putin said that "the global economy is still feeling the shock waves of the economic crisis that hit in 2008." Putin, who, during the Summer, referred to the U.S. Federal Reserve's "quantitative easing" money-production as a form of "hooliganism," emphasized that what people thought worked, doesn't work: "The sovereign debt crisis in developed countries is requiring politicians, economists, and investors to rethink their traditional approaches. Last Summer's global economic shocks were yet further proof that development models relying on growing debt are no longer working. It's clear that those who were leaders not long ago, are now yielding their positions and cannot serve as an example of the carefully worked-out macroeconomic policies, in which they were instructing us so recently."

As for a recovery, Putin warned that there simply might not be one, under current policy: "The debt crisis in Europe and the United States is compounded by the fact that their economies are teetering on the

brink of recession. Unfortunately, it is still unclear when they will recover, if at all, and this goes for Russia as well.”

While ticking off a number of conventional monetary maneuvers that Russia employs, praising the Russian Finance Ministry’s interventions this Summer to support banking system liquidity, rebuild the country’s gold and foreign currency reserves, curb the federal deficit, and prevent another state or corporate foreign debt build-up, Putin placed the main emphasis on how to go forward in a more substantial way. He said that the national objective must be not only “growth” in conventional terms, but “improving the efficiency of our economy through developing real output and promoting innovation.”

Addressing an audience that included representatives of major London-based investment funds, Putin said bluntly: “I would like to state that our overall objective is not to become a safe haven for speculative capital. . . . Russia needs to create conditions for smart investment, both in production and in high-tech development, so we have to expand the range of freedom for honest businesses, and help people who propose sensible, useful initiatives, aimed not at immediate profit-taking, but at changing the quality of life of whole cities and other settled areas, and entire regions, while, of course, profiting from their economic engagement.”

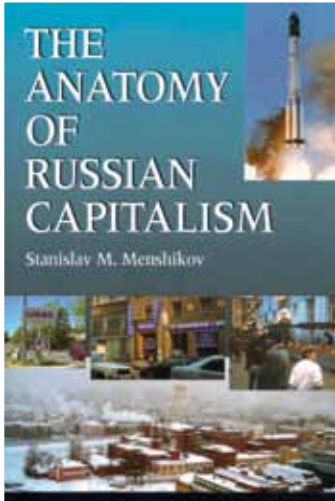
For this purpose, Putin said, he personally initiated the new Agency for Strategic Initiatives (ASI), whose head, A.S. Nikitin, was another keynote speaker in Sochi. Commissioned just last month, the ASI is separate from the much ballyhooed Skolkovo project, launched by President Dmitri Medvedev’s Kremlin staff to emulate Silicon Valley. Putin listed Skolkovo as merely one part of a network of economic development centers and zones. For the ASI, Putin said, “We had a national competition to select talented young people who have started their own businesses from scratch; and those who have done significant social projects and are willing to continue in that area. Now they are assigned to propose solutions for our systemic problems, and the administrative and other barriers that fuel corruption and impede business.”

Sounding distinctly like someone who intends to be involved in national policymaking beyond the Duma elections and next year’s Presidential election, Putin stated: “Today one of our key objectives is to bring new personnel into Russian officialdom and change the phi-

losophy of state service. We intend to bring new people into government, the economy, politics, and the social sector, people who have already demonstrated that they can pursue constructive transformations and are willing to work for the welfare of the citizens and the entire country.” He said that the recently instituted process of party primaries, currently being held to form electoral slates for the Duma, was designed to find such people and get them to run for the State Duma.

Putin touched on many other economic policy areas, from utility rates, to the need for government involvement in projects or industries which are too large for private entrepreneurs to handle. Following his speech, Putin had an extended discussion with participants, highlighted by his politely rejecting a British investment fund manager’s recommendation that Russian should snap up toxic assets which the European banks are trying to unload.

*Mary Burdman, Ron Castonguay, and William C. Jones contributed reporting for this article.*



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