

I. International

New Military-Industrial Team Goes with Putin to Beijing

by EIR Staff

May 13—Explaining the appointment of an economist, Andrey Belousov, as Russia’s new Minister of Defense, Russian presidential spokesman Dmitry Peskov said this week,

The Defense Ministry must be absolutely open to innovation, to introduce advanced ideas and to create conditions for economic competitiveness—that’s why the President chose the candidacy of Andrey Removich Belousov.

Given Belousov’s long history as an economic aide to President Vladimir Putin and as an advocate for state investment in infrastructure and industry, Putin’s new ministerial appointments and his two-day summit with China’s President Xi Jinping are sending signals of a shift in national policy in Russia, with regard to the Russian economy as a whole. It is



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Proposed new Transport Minister Vitaly Savelyev.

occurring within a cauldron of horrific war in Ukraine, in Gaza, and potential hot war at China’s doorstep in the Pacific.



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The meeting of Russian President Vladimir Putin and Chinese President Xi Jinping in China signals a shift in Russian policy—a shift toward greater emphasis on development of the physical economy of the entire nation.

Mikhail Mishustin, Russian Prime Minister, whom President Vladimir Putin reappointed on May 10, “submitted proposals on the composition of the new Government to the State Duma for consideration” on May 11. Among others, they made the Industry and Trade Minister Denis Manturov the First Deputy Prime Minister; and proposed the Transport Minister, Vitaly Savelyev, for a new Deputy Prime Minister post, “Given the importance of the further development of transport and logistics, including international transport corridors.”

The surprise appointment, however, was that of Belousov



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Economist Andrey Belousov will be Russia's new Minister of Defense.

to head the Defense Ministry. He has been Minister of Economic Development (2012–2013); Director, Government Department of Economy and Finance (2008–2012); Deputy Minister of Economic Development and Trade; and Deputy Minister of Economic Development (2006–2008). He is, as mentioned, an outspoken advocate of more state spending for national economic development.

Innovation, Scientific Innovation

An idea of the industrial policy shift involved in these elevations of officials responsible for industry and trade, transportation corridors, and economic development, was indicated in Putin's interview with China's Xinhua news agency, given on May 15. In anticipation of the May 16–17 summit with Xi, the Russian President said:

It is impossible to achieve quality economic changes without a sustained salary growth. To achieve this, we plan to increase labor productivity through the across-the-board adoption of scientific advances, new technologies and innovations, automation and robotization, and the creation of modern jobs.... I am confident that we will implement all the strategic plans we have set. We are willing to work together with our partners worldwide,

including China, our good neighbor and trusted friend.

Simultaneously, Chinese diplomats are discussing, internationally, [President Xi's Directive of Jan. 31, 2024](#) which calls for “the development of new productive forces, [promoting] high quality development,” as reported by Xinhua. Xi called for “a new productive theory” at a meeting of the Political Bureau of the CPC Central Committee. According to Xinhua, Xi explained,

New productive forces are driven by revolutionary technological breakthroughs, innovative allocation of production factors, and deep industrial transformation and upgrading, taking the improvement of workers, means of labor, subjects of labor and their optimal combinations as its basic connotation, and a substantial increase in total factor productivity as its core hallmark.

Seeming to echo Lyndon LaRouche's physical economic analysis of discontinuous “jumps,” or “phase shifts”—within an entire national economy—when fundamental scientific discoveries are propagated through an economy, Xi called for “strengthening sci-tech innovation, especially original and disruptive innovation.” He specified:

Sci-tech innovations should be applied to specific industries and industrial chains in a timely manner. Efforts should be made to transform and upgrade traditional industries, foster emerging industries, make arrangements for future industries, and improve the modern industrial system.

Military-Civilian Production Integration

Andrey Belousov himself told Russia's upper parliamentary house, the Federation Council, on May 15:

Putin has set the task of ensuring the integration of the economy of the Russian Armed Forces into the country's economy, which involves increasing the efficiency of military spending.

The Russian economy's recovery to this point, from

the February 2022 imposition of massive sanctions and seizure of its sovereign assets, has completely confounded the expectations of the “global NATO” and London–Wall Street financial war experts. Serious economists have noted two crucial factors: that the West’s economic warfare forced Russian investment into domestic development and into substituting for vital imports; and that long-neglected investments have been made into major infrastructure corridors such as the International North-South Trade Corridor from St. Petersburg to Mumbai and the energy-focused transport corridors to China.

Russia’s military industries, since Soviet times when they were hidden in “secret cities,” have been the locus of scientific and technological innovation, but have also been isolated and cut off from Russia’s civilian economic production. Putin’s task for Belousov—integration of “the economy of the Russian Armed Forces” into “the country’s economy” clearly points to a major change. Major civilian and military contracting industries will cooperate, and will require state and bank credit to do so. Scientific “spinoffs” to the broad economy will occur.

In addition, “increasing the efficiency of military spending” is aimed for in the process, and this will require clamping down on corruption as well. Presently, during Russia’s special military operation (SMO) in Ukraine, Russia’s defense budget has grown from 3% to 6.7% of GDP. Presidential Spokesman Dmitry Peskov explained, in his May 11 comment on Andrey Belousov’s appointment,

Today, the winner on the battlefield is the one who is open to innovation, more open to the most rapid implementation.

Military questions will still be dealt with by the Chief of the General Staff, Gen. Valery Gerasimov, who retains his position. But the crucial element of maintaining an effective level of military production for the duration of the conflict, and for the maintenance of Russia’s defense capabilities, will be the focus of Belousov, as he has testified to the Federation Council since his appointment was announced.

It is worth quoting what President Putin said regarding Andrey Belousov’s responsibilities to a

May 15 meeting he called of commanders of Russia’s military districts:

[Belousov] knows very well what should be done to incorporate the economy of our defense and security sector—and the Defense Ministry as its core element—into the national economy. This is extremely important. What I mean is that it will determine the innovative development of our industries with due regard for our economic and budget capabilities.

We bear in mind that all our social obligations to the people must be fulfilled, and that our national development goals must be achieved in all spheres, including in social protection. I am referring to education, healthcare, support for veterans, pensions and the like. All this must certainly be done while the defense spending is growing. At the same time, we see and understand that growing defense and security expenses are also intrinsically connected, one way or another, with civilian industries, which is boosting economic development as a whole and increasing the number of jobs. However, this connection between “cannons” and “butter” must be organically incorporated into the general development strategy of the Russian state.

In a meeting earlier that day with defense industry executives, Putin referred to the new responsibilities of Denis Manturov, long-time Minister of Industry and Trade, being elevated to First Deputy Prime Minister in the same context. The defense industries, he said “must be ready to switch to the production of even greater volumes of civilian output.” Manturov,

who is in charge of the industry, was appointed First Deputy Prime Minister with that purpose in mind.... We must concentrate financial and administrative resources to achieve the goals that I mentioned earlier. This must be done in a wise and prudent manner. The funds—quite substantial—that are being allocated for improving the military organization of the state, must be used in the most efficient way.

Another Flank for the BRICS

Giving the international organizing for a new paradigm—a new international strategic and development architecture—hope for an additional flank, an unusual development has taken place in China-India relations. Xu Feihong, China’s newly appointed Ambassador to India, arrived in New Delhi on May 10, following an 18-month period when China had no ambassador to India. This promising development between these two giant economies and leaders of the Global Majority followed occasional tensions stemming from border disputes, including the June 2020 clashes at the Ladakh (India)/Pangong Tso (China) border, according to *South China Morning Post*. Xu, who was

China’s Assistant Foreign Minister, came prepared to go to a higher level that will produce a change in the two nations’ relations. In a May 10 interview, Xu told CGTN:

President Xi and Prime Minister Modi have agreed on the important assessment that China and India are cooperation partners and not competitors, and reached an important common understanding that our two countries are each other’s development opportunities and not threats. This should serve as the fundamental guidelines for the growth of bilateral relations.

Russian President, in China, Affirmed Principles of Joint Development

In the talks and joint statements between President Vladimir Putin and President Xi Jinping May 16–17, principles of development were prominent. These brief excerpts from Putin’s remarks, at the leaders’ joint press conference May 16, are indicative of the [full media statements by both Presidents](#):

Energy and Science

Energy cooperation between Russia and China extends beyond hydrocarbons to encompass the peaceful use of nuclear energy. Rosatom is building power units of Russian design at the Tianwan NPP and the Xudapu NPP in the People’s Republic of China. The commissioning of these units is poised to make a substantial contribution to China’s energy supply....

Furthermore, with Russia’s involvement, an experimental fast neutron facility has been built in China, and work is underway on the construction of a new demonstration fast reactor.

Development Corridors:

Russia and China are jointly developing international transport and logistics corridors, harnessing the potential of the Trans-Siberian and Baikal-Amur railways, as well as the Northern Sea

Route. Year by year, the volume of incoming cargo and passenger traffic is on the rise. To improve their efficiency, we are collaboratively enhancing the capacity of border crossings and expanding border infrastructure.

Trade and Investment

Currently, there are over 80 priority projects valued at approximately \$200 billion in progress or in preparation for implementation through the relevant intergovernmental commission.

The enhancement of trade and investment ties was greatly aided by the coordinated measures implemented to shift payments between our countries into national currencies. Currently, the ruble and yuan comprise over 90% of Russian-Chinese commercial transactions, with this proportion steadily increasing. This trend signifies that our mutual trade and investment are securely protected from the influence of third countries and adverse developments on global currency markets.

In light of this, we have agreed to further improve communication between credit and banking institutions of Russia and China, while actively employing national payment systems to support our economic operators.