

China/Russia In The Spotlight

By Natasha Doff



MOSCOW, October 13, 2011 (TMN) - There was a notable eastward shift at last week's VTB Capital Investment Forum in Moscow as Prime Minister Vladimir Putin geared up for a key visit to China this week.

The Asian dragon's increasing economic clout was an important theme among the panel speakers, mainly in the context of the brewing economic crisis in Europe and the United States, which is already beginning to sweep Russia in its wake.

One of the most notable references to China was in a joke made by Putin in his panel session speech in response to a remark by another panelist that China would soon overtake the United States in terms of GDP growth.

“What should we do? Keep our foreign currency reserves in yuan while China is keeping its in dollars? That would be an interesting situation, a bit like a matryoshka doll,” Putin said.

Under Putin and Dmitry Medvedev, Russian governments have long sought to build stronger economic and trade ties with China, and key to these efforts are securing long-term oil and gas contracts. But pricing disputes have prevented any conclusive deals, and the two countries are also rivals in defense spending, which in China has far outstripped Russia’s as Beijing seeks a stronger voice on the world stage.

The China focus at the VTB event, just ahead of Putin’s two-day visit to Beijing starting Monday, was a clear indicator of priorities. The trip is Putin’s first foreign visit since being nominated for the presidency at United Russia’s conference last month.

Western investors at the forum noted a high presence of Asian investors and the managing director of the China Investment Corporation, Fan Kung Sheng, was a key speaker at the plenary session.

Strategic partnership?

Economically, Russia currently needs China much more than China needs Russia. While both countries are lumped together in the BRIC grouping, China's is miles ahead of Russia in terms of economic growth.

Recently Putin has been quick to brandish terms like "strategic relationship" when it comes to talking about China. In September he said that the two countries had "common challenges, common problems and common views on many of the events taking place on the international stage."

But while this partnership may hold firm when it comes to jointly vetoing UN resolutions on rogue Middle East leaders, it has yet to translate into better economic relations.

While Fan, the Chinese investment director, noted at the forum on Thursday that that his company had opened up investments in Russia through the Direct Investment Fund and its ties with VTB, he had little specific to say about his country's investment in Russia.

"This bilateral effort will undoubtedly bring together the best investment professionals on both sides and we are looking forward to that," Fan said. "Our two countries go back a long time, in good times and sometimes not-so-good times. Hopefully here is a new chapter in which we can achieve something, although it is very modest in the grand scheme of things."

Analysts say economic ties between the two countries remain just that – very modest. A report by the Stockholm International Peace Research Institute released last week warned that Russia's relations with China were growing increasingly uneasy given China's growing clout on the world stage.

