

Quarterly Feature: *Russia/China – 1970's Reversed*

By far, the most important agreement in Q2 was the launching of a strategic partnership between Russia and China. The partnership, historic in nature, has been designed to address economic needs of both nations, across a number of specific cities and industries, over the short, medium and longer-term.

We list below examples of some of the agreements reached during President Putin's May visit to China.

- The CNPC/Gazprom 30-year LNG agreement, which includes a USD25bn prepayment to help fund a new pipeline between the two countries. This deal has been under discussion for the past 10 years, but was finally agreed this quarter. Not only does the deal secure LNG supply for China, it also had the effect of lifting Gazprom's share price.
- The CNPC/Novatek 20 year deal from its LNG plant in the North of Russia.
- The China Railway/China International Fund agreed to help build 15 kilometers of new subways in Moscow, as well as the "New Moscow" real estate project, which is designed to extend the "old Moscow" city size significantly.
- China Exim Bank to provide a credit facility and participate in a financing framework with Vnesheconombank and its financial leasing business, respectively, on Russian infrastructure projects and large-scale imports of Chinese industrial products.
- Construct the 1st cross-border railway bridge over the Amur River linking Russia and China.
- Develop tourism and social projects in selected areas in both countries to increase tourism between the two nations.
- Signed a number of agreements to build specialty chemical plants, car manufacturing plants and wide body aircraft to rival Airbus and Boeing.
- In addition to assisting in developing each other's currencies, China and Russia also agreed to establish their own ratings agency and are continuing to study the possibility of launching and funding a BRICS bank.

These transactions involve both countries' national industrial champions and are to be funded across a number of China's largest financial institutions.

Clearly, the relationship between the two countries and their leaders is now very different from the early 1970's.