

China challenges US economic war against Russia

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Directly challenging the NATO powers' policy of cutting off credit to Russia to undermine the ruble and bankrupt the Russian economy, China is pledging to extend financial aid to Moscow.

On Saturday, Chinese Foreign Minister Wang Yi stressed the need for mutual aid between China and Russia in remarks on the ruble crisis, which has seen a drastic 45 percent fall in its value against the dollar this year. "Russia has the capability and the wisdom to overcome the existing hardship in the economic situation," Wang said. "If the Russian side needs it, we will provide necessary assistance within our capacity."

On Sunday, Chinese Commerce Minister Gao Hucheng told Hong Kong's Phoenix TV that Beijing would strengthen ties with Moscow in energy and manufacturing, predicting that Chinese-Russian trade would hit its target of \$100 billion this year despite the ruble crisis. As the ruble's value in dollars or euros swings wildly, Gao proposed moving away from the dollar in financing Chinese-Russian trade and instead using the Chinese currency, the yuan or renminbi.

Gao said China would focus on "fundamental factors such as how the two economies complement each other," Reuters reported. "Capital investors may be more interested in a volatile stock or foreign exchange market. But in terms of concrete cooperation between the two nations, we shall have a balanced mentality and push forward those cooperations," Gao said.

Yesterday, *China Daily* cited Li Jianmin of the Chinese Academy of Social Sciences saying that aid to Russia could pass through channels like the Shanghai Cooperation Organization (SCO) or the BRICS forum. Significantly, both the SCO (an alliance of China, Russia, and Central Asian states) and the BRICS (Brazil, Russia, India, China, South Africa) exclude the United States and Europe.

Li noted that already last month, when Chinese and Russian premiers Li Keqiang and Dmitry Medvedev met in Kazakhstan, they signed extensive deals on railways, infrastructure and development in Russia's Far East region, north of China. "Loans, cooperation in major projects, and participation in domestic infrastructure investment in Russia are options on the table," he added. In one such deal last month, China signed a \$400-billion, 30-year deal to buy Russian gas.

These offers of assistance cut across the economic war on Russia launched by US and European imperialism to punish Moscow for opposing their neo-colonial restructuring of Eurasia.

In retaliation for Russian support for President Bashar al-Assad against NATO's proxy war in Syria and Russian opposition to the NATO-backed Ukrainian regime in Kiev, the NATO powers sought to financially strangle Russia. As Russian oil revenues fell in line with the fall in world oil prices and the ruble collapsed, they worked to cut off credit to Russia and demanded that Russia acquiesce to the Kiev regime. (See: Imperialism and the ruble crisis)

The basic financial mechanism of this strategy was laid out in London's *Financial Times* by Anders Aslund of the Petersen Institute for International Economics. "Russia has received no significant international financing—not even from Chinese state banks—because everybody is afraid of US financial regulators," he wrote. With a yearly capital outflow of \$125 billion, liquid foreign currency reserves of only \$200 billion, and total foreign debts of \$600 billion, Russia would run out of dollars and be bankrupted in as little as two years, Aslund calculated.

Now, however, Beijing appears to be accepting the risk of a showdown with the United States and publicly preparing to throw a financial lifeline to Russia.

Chinese currency reserves of \$3.89 trillion are the world's largest and, on paper at least, allow Beijing to easily repay Russia's debts.

Significantly, the calls of Wang and Gao to aid Russia came a day after a divided European Union (EU) summit on Russia last week. Though the EU supported US sanctions against Russia, German Foreign Minister Frank-Walter Steinmeier, French President François Hollande and Italian Prime Minister Matteo Renzi all publicly opposed calls for more sanctions. Leading European newspapers also warned of the risk of a collapse of the Russian state.

As it weighs its response to the ruble crisis, the Chinese regime, facing a cooling economy and rising social protests in the working class and peasant masses, doubtless also fears the consequences of an outright economic and political implosion of its northern neighbor.

The economic conflicts erupting between the major powers over the oil crisis and the imperialist war drive in Eurasia testifies to the advanced state of the crisis of world capitalism, and the rising risk of world war.

Chinese aid to Russia, should it materialize, will exacerbate US conflict with China. Washington has tried to militarily encircle it through the "pivot to Asia," allying with Japan, Australia, and India. Plans for war with China, both economic and military, are doubtless being pored over on Wall Street and in the Pentagon.

A year ago, in an article titled "China must not copy the Kaiser's errors," *Financial Times* columnist Martin Wolf warned China against any action that could be construed as a challenge to US global hegemony. He indicated that a Chinese policy replicating the German Kaiser's challenge to British hegemony before the outbreak of World War I in 1914 would lead to a similar outcome: all-out conflict.

"If open conflict arrived, the US could cut off the world's trade with China. It could also sequester a good part of China's liquid foreign assets," Wolf wrote, recalling that China's "foreign currency reserves, equal to 40 percent of GDP are, by definition, held abroad." Such naked theft of trillions of dollars that China has earned from trade with the United States and Europe would directly raise the prospect of a collapse of global trade and preparation for war between nuclear-armed powers.

With its ever more reckless and violent policies, US imperialism is vastly overplaying its hand, discrediting itself at home and fueling opposition from rival states. By driving Russia and China together, in particular, Washington is undoing what was long seen as a major achievement of US imperialist statecraft: the 1972 rapprochement between US President Richard Nixon and Chinese leader Mao Zedong, which turned China into a US ally against the former Soviet Union.

"Many Chinese people still view Russia as the big brother, and the two countries are strategically important to each other," Renmin University Associate Dean Jin Canrong said, referring to Soviet backing for China as it fought the United States in the Korean War, shortly after the Stalinist Chinese Communist Party (CCP) came to power in 1949. "For the sake of national interests, China should deepen cooperation with Russia when such cooperation is in need."

"Russia is an irreplaceable partner on the international stage," the CCP-linked *Global Times* wrote in an editorial yesterday. "China must take a proactive attitude in helping Russia walk out of the current crisis."



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