

CHINA'S LARGEST BANKS EXPAND THEIR PRESENCE IN RUSSIA

But It's Not All That It Appears To Be On The Surface

By the measurement of assets under its control, Agricultural Bank of China Ltd () is the third-largest bank in the People's Republic of China (PRC).

According to very reliable sources, Agricultural Bank of China Ltd is likely, very soon, to join the other three, major PRC banks that have, already, established branches in The Russian Federation.

The other three, PRC banks that have a presence in The Russian Federation are Bank of China Ltd (), China Construction Bank Corporation () and Industrial and Commercial Bank of China Ltd ().

The establishment of the PRC bank branches/subsidiaries in The Russian Federation does not appear to be for the sole purpose of earning a profit for the giant banking groups, but for strengthening the ties of convenience between the two important nations of the world.

Further, the present, tense political situation between the West and The Russian Federation appears to have lent itself to a high degree of amicable, political concomitance as far as the governments of these two states are concerned.

The December Announcement

Management of Agricultural Bank of China Ltd announced, on December 23, 2014, that it had received approval from The Bank of Russia – The Central Bank of The Russian Federation – to establish a branch in Moscow.

Prior to making application to The Bank of Russia, Management of Agricultural Bank of China Ltd had sought, and obtained, approval from the China Banking Regulatory Commission () for the prospective move.

In April of 2013, Agricultural Bank of China Ltd signed a Strategic Cooperation Memorandum with The Savings Bank of The Russian Federation (Sberbank).

This Strategic Cooperation Memorandum sought, inter alia, to strengthen closer cooperation between The Russian Federation and Agricultural Bank of China Ltd in such fields as trade, finance, renminbi and ruble settlements, financial markets, information sharing and personnel exchanges.

It appears, obvious, that the Strategic Cooperation Memorandum of 2013 was just the beginning of hoped-for, much-closer ties between the two countries, the aggregation, human populations, being about 1.45 billion people.

It is only too clear that, with The Russian Federation, suffering from a recession, with the ruble, vis-à-vis the US dollar/euro, hitting one lower level after another, with the price of crude oil, having been just about halved from its high of \$US115 per barrel, only about eight months ago, and with international rating agencies, downgrading The Russian Federation's sovereign bonds to junk status, the move of Agricultural Bank of China Ltd to establish a presence in the Capital City of Russia cannot be for financial gain.

Politics makes for strange bedfellows.

For the PRC's other three major banks that have, already, founded branches in The Russian Federation, profits are few and far between ... if at all.

In terms of their assets and the amount of business, being generated in The Russian Federation, the PRC's three banking giants, presently operating in the country, are miniscule by any standard; and, they are not adding anything of materiality to the parent banks' coffers in Beijing.

According to well-informed sources in the banking industry in the PRC, the Return on Average Assets, employed by the three PRC banks' operations in The Russian Federation, ranges from zero to about 1.40 percent – at best.

TARGET's sources have pointed out that Bank of China's office in Moscow is focusing, today, on lending money to Russian, State-owned banks or banks that have the backing of the Government of The Russian Federation.

Backing up this contention is the fact that Bank of China's total assets rose to about 13.39 billion rubles by December 2013. That is an increase of nearly 33 percent, compared with the situation that existed in December 2011.

While the Bank of China's Moscow office was hot to trot, lending money to Russian banks, during the 2011-2013 period, its profits were whittled down from 67.60 million rubles to 23.50 million rubles.

Thus, it stands to reason that the three, PRC banks' commitment to their Russian operations cannot be for profit ... but for something else.

Now that it is confirmed that Agricultural Bank of China Ltd, which, by the way, is the eighth largest bank in the world, will join the trio of PRC banks, already operating in The Russian Federation, it is confirmatory evidence of the PRC's Government real intent.

Remember May of 2014?

In May of 2014, President Vladimir Putin visited the PRC and negotiated the biggest gas contract with the Middle Kingdom in history.

The contract was worth \$US400 billion.

Under the agreement between The Russian Federation and the PRC, Open Joint Stock Company Gazprom, the largest extractor of natural gas in the world as well as being one of the world's largest companies, agreed to supply to the PRC about 38 billion cubic meters of natural gas per year, during the 30 years, ending in 2044.

In addition, President Vladimir Putin entered into talks with the PRC Government with regard to Rosatom State Atomic Energy Corporation, a Russian, State-owned company, to construct nuclear power plants in the PRC.

President Vladimir Putin, on behalf of The Russian Federation, and President Xi Jin Ping (), on behalf of the PRC, signed a Memorandum of Understanding in respect of the potential of constructing floating nuclear power plants in PRC waters.

About five months after the ink had dried on the Gazprom Agreement, Premier Li Ke Qiang () travelled to Moscow and there negotiated some 40 more agreements with President Vladimir Putin.

These agreements were far-reaching and included, inter alia, banking, energy, transport, agriculture, space technology and telecommunications.

One of the agreements was with the Russian, State-owned company, Rosneft, a major extraction and refining company.

Phase One of this agreement was for Rosneft to construct an oil refinery in Tianjin () by the autumn of 2019.

This refinery will have a capacity of 16 million tonnes and will cost about \$US5 billion to construct and outfit.

Phase Two of this agreement was to establish numerous petrol stations in the PRC, the stations to be operated under the combined names of Rosneft and China National Petroleum Corporation ().

This joint venture is, today, known as PetroChina-Rosneft Orient Petrochemical (Tianjin) Company Ltd.

Another very material accord between The Russian Federation and the PRC came with the signing of a Memorandum of Cooperation between The Russian Transport Ministry and China Railway Corporation.

This Memorandum of Cooperation is to develop a Moscow-Beijing Eurasian, high-speed rail-transport corridor.

And so it went on and on, culminating in an agreement between The Russian Federation and the PRC in respect of a three-year period with regard to foreign-exchange operations, whereby the PRC would swap 150 billion renminbi in exchange for 815 billion rubles.

The idea of this agreement was to make both the ruble and the renminbi more attractive as the international medium of exchange with regard to trade and investment.

Conclusion

It is very apparent that both The Russian Federation and the PRC have a great deal to offer each other, as the above **TARGET** () intelligence makes only too clear.

The many agreements that have been signed between these two, extremely important world powers are mutually beneficial and it is highly unlikely that either signatory to the numerous accords would want them not to come to fruition.

The Government of The Russian Federation is controlled by a very clever and cunning leader, who has a long history of successfully engineering covert intelligence operations.

But with regard to Russia's agreements with the PRC, there is little that is not overt.

At this time in the history of The Russian Federation, it needs the financial strength of the PRC; and, PRC banks have the necessary wherewithal to help its militarily powerful neighbour in exchange for agreeing to assist in guaranteeing its future energy requirements.

If The Russian Federation, also, can throw into the pot some S-400 Anti-Aircraft Missile Systems and agree to manufacture heavy duty Mi26 Helicopters in the PRC, so much the better.

The PRC is taking a calculated gamble that, at the end of the day, the second-largest economy of the world would come up trumps in its relations with The Russian Federation, as well as obtaining the technology and knowhow that it, presently, lacks.

The present economic situation in The Russian Federation will not last forever.

Today's problems, in the course of time, will fade and, then, be relegated to the pages of history.

Enemies of today become the friends of tomorrow, as was demonstrated, following the cessation of World War II in 1945.

The discovery of the dastardly manner in which Germany and Japan treated their prisoners, during the six-year war that resulted in the deaths of some 70 million people, worldwide, six million of whom were innocent Jews, is, now, history and little more.

Today, the horrors as to how these prisoners were treated is only depicted in films and recalled with revulsion when one hears the names of German concentration camps, such as Auschwitz, Buchenwald, Bergen-Belsen, and Dachau.

For Japan and its despicable acts, during World War II, one can only recall how Australian and British prisoners were worked to death in building The Burma Railway between 1942 and 1943.

But who, in today's world, would reject the idea, due to the many atrocities, carried out during World War II by the soldiers of the armies of Germany and Japan, of purchasing a Toyota, an electronic product, manufactured by Sony, a Mercedes-Benz motor car or a Kärcher vacuum cleaner?

The revered Mohandas Karamchand Gandhi, a small in stature, ethnic Indian, whose belief in non-violence and justice caused the world to sit up and to listen to his words of wisdom, is recorded as having said:

'It is easy enough to be friendly to one's friends, but to befriend the one who regards himself as your enemy is the quintessence of true religion.

'The other is mere business.'

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