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HOW COULD CHINA BENEFIT FROM CURRENT TENSIONS AROUND UKRAINE?





Analytical
commentary

HOW COULD CHINA BENEFIT FROM CURRENT TENSIONS AROUND UKRAINE?



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The Russian crisis could again derive into a military escalation in Ukraine. Many months of amassing Russian troops at the border with Ukraine led to increased tensions between countries. Kyiv managed to secure the sympathy of the liberal world while Kremlin's supporters could be counted on the fingers of one hand. Yet, situation could change if China decides to take advantage of the Russia-Ukraine conflict.

Before evaluating the potential losses and gains for China out of Russian invasion in Ukraine, one needs to understand the nature of relations between Moscow and Beijing. Both countries have deepened their partnership over the last two decades. For many years, it was Russia that led the partnership between the two, however, with the significant economic and technologic growth of China, Russia became a junior partner. A relative turning point, especially in the Ukrainian context, was the Russian aggression against Ukraine in 2014 and the annexation of Crimea. The weakening of Kremlin's position in the aftermath of the aggression led to an increased cooperation with China amidst the growing international isolation of Vladimir Putin and the economic hardships following the western sanctions.

Russia and China started to have similar narratives on a number of issues, especially when it comes to the US influence in the region. Widely, the cooperation between the two is perceived to be focusing on undermining of the US influence, erode European unity, impair the reputation of the liberal institutions and democratic principles as well as discredit free media. China is more frequently reproducing Kremlin's narratives on Ukraine when these comply with the interests of Beijing.

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Although there was no clear-cut indication that Russia and China are coordinating their foreign policy, it happened to see similar approach on a number of issues. Moreover, the last meeting of Xi Jinping and Vladimir Putin left the impression that they already have in place a formal process of coordination of their foreign policy agenda. At least in the article published by Vladimir Putin ahead of his meeting with Xi before the opening of the Winter Olympic Games, Putin mentioned that: *"The foreign policy coordination of Russia and China is based on close, coinciding approaches to solving global and regional problems. Our countries play an important stabilizing role in the modern, far from simple, international situation, contributing to the processes of democratization of the system of interstate relations in order to make this system fairer and more inclusive. We are working together to strengthen the central coordinating role of the United Nations in world affairs, we strive to prevent the erosion of the international legal system, at the center of which is the UN Charter."*¹

This shows that in fact, there is more coordination taking place than thought before. The recent support of China's foreign minister for Russian security "legitimate" security concerns that should be "taken seriously and addressed" is just another episode of the mutual reinforcing positions. Moreover, China also supported the idea that NATO should

¹ Россия и Китай: стратегическое партнёрство, ориентированное в будущее, Kremlin.ru <http://kremlin.ru/events/president/news/67694>



not expand eastwards (referring to Ukraine), trying to convey the message that this is not conducive "to maintaining peace and stability in Europe."²

This means that there is an alliance in place between Moscow and Beijing. However, their alliance is a specific one. Despite having a similar narrative on the foreign policy issues aimed at reducing the US influence, free media, human rights, etc, China alliance with Russia is not a classic one. It is widely based on similar interests but does not involve agreements on mutual military support. Their relation is often reminding a non-aggression pact which means that they collaborate where convenient and act independently when disagree however not to harm any major interest of each other. This also has a practical dimension since both can reduce their forces along the border watching each other and thus, given their ambitious global agenda, they could use their force for some other tasks. Moreover, the fact that joint military exercises take place, demonstrate that the non-aggression pact is backed by a certain level of trust.

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China is learning quickly from Russia by emulating Moscow's behavior and in recent years has been more tough when conducting its operations. The aspirations to seduce and

create admiration for Beijing are still in place, but not everywhere these works. In a recent work, Charon and Vilmer from French think tank IRSEM notice that there is a "russification" of the Chinese influence operations, which shows greater ambition of China and readiness to use more tools.³

For official Kyiv, China is being referred to as a strategic partner, which many believe is a shared viewpoint of president Volodymyr Zelenskyy, willing to diversify foreign policy and stimulate US interest for Ukraine as well as showing frustration that the US and Germany allowed the Nord Stream 2 to go. However, the Ukraine-China strategic partnership is mostly on paper. Scandals such as the failed acquisition of the "Motor Sich" company give a better understanding of the complexity of the relations. Moreover, the relations between the two have worsened as Ukraine first signed a statement at the UN Human Rights Council which was then withdrawn following the alleged pressure from China, including employment of "vaccine diplomacy".

In order to alleviate the bitter experience of "Motor Sich", Ukraine provided visa-free regime for Chinese tourists for up to 30 days. Moreover, Ukraine and China's financial companies signed a cooperation agreement on road, bridges and railways projects, which apparently will have privileged conditions since these will not be subject to country's acquisitions procedures. On top of that, Ukrainian leadership tried to emphasize the idea that China could become a mediator in the process of sorting out the Russia-Ukraine conflict. However, Beijing remains ambiguous of its potential role and, when it comes to actions, tries to walk a fine line between Russia and Ukraine.

² Chinese FM Wang Yi calls for diplomatic solution, not hyping war over Ukraine issue, Global Times, <https://www.globaltimes.cn/page/202202/1252641.shtml>

³ Chinese influence operations. A Machiavellian moment, IRSEM, <https://www.irsem.fr/report.html>

IS THE RUSSIA-CHINA ALLIANCE STRONG ENOUGH TO MAKE BEIJING SUPPORT RUSSIA ON UKRAINE?

The foundation of the Sino-Russian alliance seems to be solid and strengthening every year. At the same time, despite keeping the appearances of perfect partnership, China and Russia have a number of issues which might create tensions.

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These relate to strategic issues such as the nuclear capability, divergencies in the Arctic, competition in Central Asia,⁴ etc, though also on more minor but disturbing issues such as increasing spying of China in Russia and the tough negotiations between the two and uncompromising position of Beijing when negotiating with Moscow.⁵ The list could be continued with examples from India, where Beijing has been nervous about Russia selling S-400 missiles, or Vietnam where Russian Rosneft explores an oil field in the exclusive economic zone of Vietnam that is claimed by China. Aside from this, there are also

conceptual divergencies between the two, including some territorial claims. China does not recognize the annexation of Crimea, while Russia does not recognize China's "nine-dash line" asserting its claims in the South China Sea.⁶

The litmus test for China's real alliance with Russia, in the event of an invasion, will be the extent to which China will help Kremlin avoid sanctions. The US announced sanctions against Russia if the latter invades, including the "mother of all sanctions" that is sanctions against Russian banks and government debt. The US stressed on various occasions that Russian won't be able to avoid western sanctions with the help of China. Moreover, State Department's spokesman mentioned that "Chinese companies would face consequences if they sought to evade any export controls imposed on Moscow" as a result of Russian invasion.⁷

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There are already several precedents that could help us better understand China's reaction. After the annexation of Crimea, a number of Chinese state banks, including the China Development Bank and Export-Import Bank of China provided loans for Russian

⁴ Katherine Walla, What will China do if Russia escalates in Ukraine? Atlantic Council, <https://www.atlanticcouncil.org/blogs/new-atlanticist/what-will-china-do-if-russia-escalates-in-ukraine/>

⁵ Kadri Liik, It's Complicated: Russia's tricky relations with China, ECFR, <https://ecfr.eu/publication/its-complicated-russias-tricky-relationship-with-china/>

⁶ Eva Dou, Mary Ilyushina, As Putin heads to Beijing, Russia and China's stronger ties are a headache for the U.S., Washington Post, <https://www.washingtonpost.com/world/2022/02/01/china-russia-ukraine/>

⁷ Simon Lewis, David Brunnstrom, U.S. warns Chinese firms against helping Russia against potential Ukraine sanctions, Reuters, <https://www.reuters.com/world/us-says-china-ties-will-not-make-up-consequences-russian-invasion-ukraine-2022-02-03/>



state-owned banks put on the Western sanctions list.⁸ However, the commercial banks abided by the Western sanctions in order to avoid being cut from the US financial markets.⁹ China was also sanctioned for buying from Russia S400 missile system and SU-35 fighter jets that was a violation of Countering Americas Adversaries Through Sanctions Act.¹⁰ Moreover, an unrelated example serves the Huawei case which showed how much damage the US sanctions could produce: the company lost 29% of revenues.¹¹

China's support for Russia, however, comes with a price. Russia already depends to a certain extent from its exports to China which include military hardware, oil and gas and minerals. As in the past, Beijing has benefited of Kremlin's difficult relation with the West by getting good energy deals with Russia and this time this is no exception. Aside from the existing gas supply, Gazprom will supply additional 10 billion cubic meters a year to

China from the Yuzhno-Kirinskoye gas field, against which the US has imposed sanctions.¹²

The economy will certainly have a say in shaping China's approach. At the same time, there are issues that go beyond pure economic interests. The most important is of domestic nature. The 20th Congress of the Chinese Communist Party will be held in autumn. Xi is planning to get re-elected for third term and thus he needs to avoid any political or economic turbulence which might jeopardize his plans.¹³

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⁸ Yev Lun Tian, Analysis: China would back Russia diplomatically, if it moved on Ukraine, Reuters, <https://www.reuters.com/world/europe/china-would-back-russia-diplomatically-if-it-moved-ukraine-2022-02-19/>

⁹ Bonnie S. Glaser, Chinese Support for a Russian Attack on Ukraine Cannot Be Cost-Free, Foreign Policy, <https://foreignpolicy.com/2022/02/14/china-russia-ukraine-invasion-cost-free/>

¹⁰ CAATSA Section 231: "Addition of 33 Entities and Individuals to the List of Specified Persons and Imposition of Sanctions on the Equipment Development Department", U.S. Department of State, <https://2017-2021.state.gov/caatsa-section-231-addition-of-33-entities-and-individuals-to-the-list-of-specified-persons-and-imposition-of-sanctions-on-the-equipment-development-department/index.html>

¹¹ Sanction-hit Huawei says revenues down 29% this year, The Guardian, <https://www.theguardian.com/technology/2021/dec/31/sanction-hit-huawei-says-revenues-down-29-this-year>

¹² Andrzej Kublik, Chiński wist Gazpromu – uwalnia od sankcji, wiąże ściślej z Kazachstanem, krępuje NATO, Wyborcza, <https://wyborcza.biz/biznes/7,177151,28080684,chinski-wist-gazpromu.html?disableRedirects=true>

¹³ Hiroyuki Akita, China will gain little from backing Moscow on Ukraine, <https://asia.nikkei.com/Spotlight/Comment/China-will-gain-little-from-backing-Moscow-on-Ukraine>

SCENARIOS FOR CHINA'S RESPONSE

Many are wondering how China could respond to a military escalation of Russia in Ukraine. The potential sanctions of the West against Russia are of paramount importance for China. So far, Beijing chose not to break western sanctions against Russia, with several exceptions on some minor issues. A new wave of sanctions and their effectiveness against Russia would let China understand how credible and serious are western sanctions if these would be applied in Asia.

At the same time, Western sanctions against Russia would mean that China will have to take a side. The potential sanctions do not offer room for maneuvering for China as Beijing would need either to help Russia mitigate sanctions or on the contrary enforce these – if China does not want to worsen its relations with the US. Likely, these sanctions would be related to financial sector, state-owned companies and export control.¹⁴

Beijing would need either to help Russia mitigate sanctions or on the contrary enforce these.

In case of a new phase of Russian aggression, Beijing and Moscow are likely to behave differently because of their mismatching perspective. Russia is a declining power by all measures and thus wants to compensate its

weakness by creating problems for the western alliances and democracies. Instead, China is a rising power that has been taken less risks and showed more patience. It looks more of an international order that reflects better its interest and not necessarily through disorder.¹⁵ This is what may create serious cracks in their alliance because of difficulty to synchronize their strategies.

President Xi also has reputational consideration. If he backs Russia, then China's relations with the West could get damaged his image, as he might be labelled as fellow aggressor.

If the relations of China and the US have been seen as rivalry for many years, then Beijing's relations with EU were moderated. The support of China for Russia in Ukraine would provide evidence that China is a systemic rival for the EU and thus, the latter, could reconsider its relations with China. EU for China is much more important as a trade partner since Beijing exports ten times more goods than it does to Russia.¹⁶

The support of China for Russia in Ukraine would provide evidence that China is a systemic rival for the EU

The policy of "de-dollarization" which is was pursued by Russia and China did not make these much more independent. According to estimations, around 80% of transactions

¹⁴ Chris Miller, How will China respond to the Russia-Ukraine Crisis?, Foreign Policy Research Institute, <https://www.fpri.org/wp-content/uploads/2022/01/how-will-china-respond-to-the-russia-ukraine-crisis.pdf>

¹⁵ Putin and Xi's evolving disinformation playbooks pose new threats, The Crunch, <https://techcrunch.com/2021/12/19/putin-and-xis-evolving-disinformation-playbooks-pose-new-threats/>

¹⁶ John Xie, Why a Russian Invasion of Ukraine would hurt China, too, Voice of America, <https://www.voanews.com/a/why-a-russian-invasion-of-ukraine-would-hurt-china-too-/6449765.html>



between China and Russia are operated in euros, which does not relax the impact of sanctions.¹⁷

China's rivalry with the US is also two-sided. Despite the competition, China seeks to stabilize relations with the US. Given the US support for Ukraine, any meaningful help from Beijing to Moscow significantly damage their desire to normalize their relations.¹⁸

The scenario when China will help Russia to avoid sanctions is less likely but is possible. This scenario would entail more imports of Russian commodities, especially in the energy sphere, but also avoiding financial sanctions for Russia by ensuring access to financial services.

That said, most likely, Beijing's response would rather involve measures to help Russia without hurting China's core interests. This opinion was somehow deriving from Chinese MFA which supports the territorial integrity of Ukraine and declares that has no interest in escalation of the conflict, but at the same time showed sympathy to certain Russian claims.

Beijing's response would rather involve measures to help Russia without hurting China's core interests.

IS CHINA BENEFITING OUT OF A RUSSIAN INVASION IN UKRAINE?

It is impossible to give a straightforward answer since along with benefits there are also losses.

Above all, Russia will distract the US from the Indo-Pacific region and that might give more flexibility for China in the region. Also, China could get a better understanding of what it could do in its own contested regions. These include above all Taiwan but also Japan and other states which are now in dispute with China. Experts in Kyiv and EU argue that China is already benefiting from the amassing of Russian troops at the Ukrainian border since the West planned to highlight human rights violations in China by boycotting the Olympics. Now, all the attention moved from China to Russia.

Russia is certainly counting on China in challenging NATO and wider West. However, China proved before, that it could take advantage of this situation. Beijing is interested in cheap gas supply from Russia which in case of a conflict with the West and sanctions, Kremlin will have no alternative other than accepting China's offer.

At the same time, China has its own interests in Ukraine which are separated from the Russian agenda. Ukraine is one of the most important suppliers of many agricultural products, including grains and corn. A serious escalation of the conflict could hamper the harvest and then export of Ukrainian products.

¹⁷ John S. Van Oudenaren, Vladimir Putin's Mission to Beijing, Jamestown Foundation, <https://jamestown.org/program/vladimir-putins-mission-to-beijing/>

¹⁸ John Xie, Why a Russian Invasion of Ukraine would hurt China, too, Voice of America, <https://www.voanews.com/a/why-a-russian-invasion-of-ukraine-would-hurt-china-too-/6449765.html>

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Beijing has an interest in Ukraine as it perceives as a strong agricultural country with massive exports to China. Some other interests include engine production (see the case of Motor Sich) but also Ukraine as a potentially important hub for its Belt and Road initiative. These are arguments why China declares that is not interested in any escalation in Ukraine and hopes for a peaceful diplomatic settlement. However, China still supports the Russian position in its claims vis-à-vis the West, which means China admits an escalation could take place. This also means that China is likely having arrangements with Russia that its interests in Ukraine are not going to be harmed should Putin order the invasion in Ukraine.

In a wider perspective, China will adapt its strategy on how to gain benefits of the Russian aggression depending on the western response. But no matter what could happen, China will learn a lot from the current circumstances in order to increase its influence and power.



ABOUT NEW EUROPE CENTER

The New Europe Center was founded in 2017 as an independent think-tank. Despite its new brand, it is based on a research team that has been working together since 2009, at the Institute for World Policy. The New Europe Center became recognized by offering high-quality analysis on foreign policy issues in Ukraine and regional security by combining active, effective work with advocacy.

The New Europe Center's vision is very much in line with the views of the majority of Ukrainians about the future of their country: Ukraine should be integrated into the European Union and NATO. By integration, we understand not so much formal membership as the adoption of the best standards and practices for Ukraine to properly belong to the Euroatlantic value system.

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