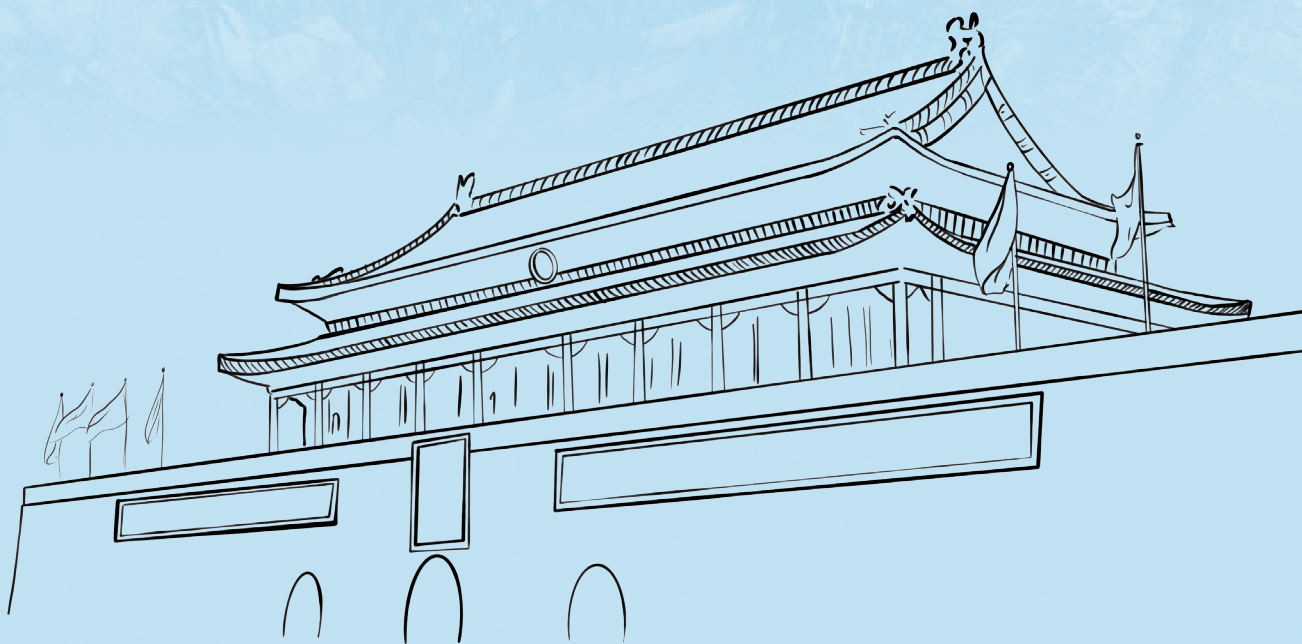


# IS CHINA BENEFITING FROM THE ONGOING RUSSIAN-UKRAINIAN WAR?



New Europe Center  
Kyiv, Ukraine



Analytical  
commentary

# IS CHINA BENEFITING FROM THE ONGOING RUSSIAN-UKRAINIAN WAR?



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Kyiv, 2022

## CHINA'S REACTION TO THE RUSSIAN INVASION OF UKRAINE

China's reaction to the Russian invasion of Ukraine on February 24 was no surprise. As before, Beijing continued its policy of declared neutrality and called for diplomacy. It also refrained from condemning Russia and even refused to call the invasion "an invasion", mentioning that Kremlin's has "legitimate security concerns" that need to be taken seriously. At the same time, while voting in the United Nations General Assembly to condemn Russian invasion, China was among the 35 countries which abstained. It also mentioned that it supports Ukraine's territorial integrity and sovereignty. However, publicly, China has been very shy in commenting the Russian aggression, which promoted criticism from many countries, urging China to do more for a diplomatic settlement.

Even after two weeks of invasion, Chinese foreign minister assessed relations with Moscow as being "rock solid". Adding that China and Russia "will always maintain strategic focus and steadily advance our comprehensive strategic partnership of coordination for a new era".<sup>1</sup>

As the Russian blitzkrieg failed and it became clear that the war is likely to turn into a long war as well as the West imposed sanctions on Russia, Beijing started to react to the new realities. Without changing the rhetoric on the Russian-Ukrainian war, Chinese

state-owned financial institutions have quietly distanced themselves from Russia.

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This, among others, refers to Bank of China and Industrial and Commercial Bank of China which restricted financing of purchasing Russian commodities.<sup>2</sup> Other China-led financial institutions such as Asian Infrastructure Investment Bank halted its work in Russia and Belarus as protest against the invasion.<sup>3</sup> The strategy is meant to make sure China is not suspected to help Russia in avoiding sanctions and thus jeopardize its access "to key Western export markets and the US dollar-centric international financial system".<sup>4</sup>

The lasting Russian-Ukrainian war has also implications for Chinese economy. The Chinese imports from Russia are immense: mainly oil and gas as well as other commodities and raw materials such as metals.<sup>5</sup> The prices have increased since the invasion began and could increase even more if the war lasts. At the same time, both

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<sup>1</sup> China's balancing act on Russian invasion of Ukraine explained, <https://theconversation.com/chinas-balancing-act-on-russian-invasion-of-ukraine-explained-178750>

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<sup>2</sup> As Russia's isolation grows, China hints at limits of friendship, <https://www.aljazeera.com/economy/2022/2/28/as-russias-isolation-grows-china-hints-at-limits-of-friendship>

<sup>3</sup> AIIB Statement on war in Ukraine, <https://www.aiib.org/en/news-events/news/2022/AIIB-Statement-on-war-in-Ukraine.html>

<sup>4</sup> As Russia's isolation grows, China hints at limits of friendship, <https://www.aljazeera.com/economy/2022/2/28/as-russias-isolation-grows-china-hints-at-limits-of-friendship>

<sup>5</sup> Will China Try to Stop Russia's War in Ukraine?, <https://time.com/6157160/china-stop-russias-war-in-ukraine/>



Ukraine and Russia are major suppliers of agricultural and food products such as corn and wheat. UN already predicted that the war could trigger a 20% food price rise.<sup>6</sup>

The war on Ukraine is also a case to watch for China from the perspective of how functional are western sanctions. China declared many times that is against any sanctions, even for the Russian invasion. At the same time, China is assessing the impact of the current sanctions and its own vulnerabilities to sanctions should China ever get sanctioned by the West.

## RUSSIAN HOPE FOR CHINA'S HELPING HAND

To put it short, China is the only country with meaningful economic size able to help Russia avoid the sanctions. The US was the first to signal out that Russia asked China to provide support, including military, so that Kremlin overcomes the economic and military hardships of its invasion in Ukraine. According to reports in the media, Russia has asked for economic assistance – sign that sanctions already work – and military equipment – sign that the invasion of Ukraine is poorly managed by Russia and desperately looking for alternatives. Allegedly, the request encompasses drones, armored vehicles, surface to air missiles and MRE's for soldiers.<sup>7</sup>

Both US and EU have publicly warned that they possess information that Russia asked China for support, including military assistance. Both also warned that it will sanction China should Beijing help Russia. That is a very risky move for China since its trade with US and EU is ten times bigger than the one with Russia. In 2021 China's trade with Russia amounted at \$147 billion, while with US was \$756 billion and with the EU \$828 billion.<sup>8</sup> At the same time, US and EU companies have provided much needed investments and access to technologies for China which are instrumental for China's rising power. Moreover, with the current Western sanctions against Russia, China already managed to win – Beijing will find it easy to buy cheap Russian energy resources which Russia would hardly sell to other consumers.

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Chinese officials dismissed the US and EU claims and labelled their reports as disinformation, adding that they never heard of such requests from Russia. At this point, it is unclear how accurate is the information about Russian request and the readiness of China to help Russia. However, given the precise intelligence of the US regarding the

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<sup>6</sup> UN agency warns Ukraine war could trigger 20% food price rise, <https://www.reuters.com/world/un-agency-warns-ukraine-war-could-trigger-20-food-price-rise-2022-03-11/>

<sup>7</sup> US tells allies China signalled openness to providing Russia with military support, <https://www.ft.com/content/52ea7aab-f8d1-46b6-9d66-18545c5ef9b9>

<sup>8</sup> Will China Try to Stop Russia's War in Ukraine?, <https://time.com/6157160/china-stop-russias-war-in-ukraine/>

Russia's aggression in Ukraine, one could consider these data are quite reliable.

Certain Russian sources considered the Russian request plausible, but claim that the communication between Moscow and Beijing on this issue have taken place before Putin started his invasion in Ukraine, therefore this should not be treated as an emergency military support. Likely, this support could include with hardware, and the requested hardware could include drones, surface-to-air missiles, armored vehicles and some intelligence-related equipment. If true, this could imply a lasting war since mastering the Chinese hardware would imply months of training before Russia could use it. This again, shows how desperate is Russia if it asks China for military support, as well as recruiting volunteers in Syria or other countries.

The gravity of the situation was underlined by the seven-hour meeting between US National Security Adviser Jake Sullivan and Director of the Office of the Foreign Affairs Commission Yang Jiechi of the Chinese Communist Party. Already on several occasions, US officials mentioned that the attempt of China to help Russia evade large-scale sanctions would lead to consequences and secondary sanctions.

Overall, China is able to help Russia mitigate the impact of Western sanctions. There is a list of things one cannot do, but there is also a number of things, including financing energy imports by banks, that China could do without violating sanctions.<sup>9</sup> Moreover, it was reported that China has

already a playbook of mitigating sanctions for Russia without a serious violation of these. This was already tested in helping Iran<sup>10</sup> and North Korea<sup>11</sup> to alleviate the impact of sanctions.

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As the war lasts, China's ability to avoid taking sides will be further limited. President Xi will have to decide whether it will align with the West and exert pressure on Russia, or it decides to challenge the West and offer a helping hand to Putin. The economic calculus gives very little incentive for China to provide any aid to Russia since this would put Beijing's own financial interests at stake. Moreover, as the Russian invasion becomes increasingly brutal with a high number of civilian victims, China's leaders understand that there would be a serious reputation problem for China if it decides to help Russia. Beijing will be labeled as an accomplice of Moscow should China take the side of Russia.

However, China's choice is more complicated than simply counting

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<sup>9</sup> China's balancing act on Russian invasion of Ukraine explained, <https://theconversation.com/chinas-balancing-act-on-russian-invasion-of-ukraine-explained-178750>

<sup>10</sup> China, with \$400 billion Iran deal, could deepen influence in Mideast, <https://www.nytimes.com/2021/03/27/world/middleeast/china-iran-deal.html>

<sup>11</sup> North Korea defies sanctions with China's help, UN panel says, <https://www.theguardian.com/world/2020/apr/18/north-korea-defies-sanctions-with-chinas-help-un-panel-says>



economic losses from taking a side of another. Beijing is likely aware that if it supports Russia, it will stir Western response that could threaten long-term effort to become the dominant global power. If it does not support Russia and thus contributes to Moscow's collapse, it could mean that China could be next.

With the risk to exaggerate, but the Chinese position could become a turning point in the Russian aggression against Ukraine. China has a lot more to lose since it is on the rise while Russia is in decline. At first sight, judging by their statements, it might appear that these have very similar agenda, while from a strategic standpoint, the rationale behind their actions is different. China aims to become the leading superpower while Russia fights to stay in the league of superpowers.

## IS THERE A ROLE FOR CHINA IN MITIGATING THE WAR?

It is often the case that Ukraine sees China as taking its side and trying to marginalize its cooperation with Russia which was "rock solid" at the beginning of the war. Yet, Beijing does not signal out that is taking any side, although there are certain changes. The biggest visible change is China's declared willingness to act as a mediator between Kyiv and Moscow. At the same time, repeating certain Russian propaganda narratives that it is the US and NATO to blame for the tensions does not provide Beijing with strong credentials for mediation.

China showed certain distancing from Russia as the latter is accused of war crimes and will have to face serious economic hardships due to western sanctions. Therefore, Beijing does not want to be seen as an enabler of the Russian aggression due to reputation losses. At the same time, it is not in the interest of China to let Russia economically collapse due to sanctions. China needs stability to allow, especially before the next congress in autumn that has to re-elect Xi for another term. Therefore, the option to help Russia avoid the economic collapse and even militarily remains in cards for Beijing.

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That is why China will avoid as long as possible taking sides in the war. On the one hand, it will largely comply with the sanctions imposed against Russia in order to avoid secondary sanctions. On the other hand, it will often adopt the Russian narrative in describing the events. This means China will use the wannabe mediator mantra in order to avoid taking sides and limit the damage to its interests. This self-assigned role of China could last until the situation radically changes.

The benefits of China from the current war are not too many. Either way the Russian war will lead to negative impact for China's economy and reputation, unless China will take the side of the West. At the same time, China will have a greater and cheaper access to Russian natural resources, which Beijing would clearly use to make Russia even more dependent on China.







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## 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.

More about New Europe Center: [neweurope.org.ua](http://neweurope.org.ua)



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