

# The Ukrainian Crisis: Impact on Sino-Russian Relations

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## **The Ukrainian Crisis: Impact on Sino-Russian Relations**

*By Vasily Kashin*

### **Synopsis**

*The Russian confrontation with the West over Ukraine from 2014 gave a boost to Sino-Russian relations. While China did take some steps to support Russia in this conflict, the Chinese ability to do so remains limited and strong interdependence has not been achieved.*

### **Commentary**

WITH THE start of the Ukrainian crisis, a new narrative about Russian-Chinese relations has emerged and gained widespread popularity. This narrative is based on two contradictory interpretations of what happened between Russia and China in the last two years. According to one interpretation, Russia has counted on Chinese support at the beginning of the crisis, hoping that China would save the Russian economy from the consequences of the Western sanctions.

Instead, China decided not to do anything and just watched as Russia took economic blows from the West. Even more, China used that situation as an opportunity to weaken the Russian position in some areas, such as Central Asia. According to another point of view, during the crisis Russia has become so dependent on China that it has had to adjust its foreign policy and follow the Chinese lead in areas like the South China Sea.

### **Propaganda?**

These theories owe much to the Russian government propaganda which, during the acute phase of the Ukrainian crisis in 2014, had clearly overblown the issue of Chinese support to Russia. The purpose was most likely to prevent panic among the

population at the early stage of the conflict. However, there was a price: when the media and the public saw that the expected projects failed to materialise, that caused the general feeling of disappointment.

In reality, however, very few within Russian officialdom really believed that China would be able to reduce the impact of sanctions in any decisive way. China probably would even like to help, but was clearly not capable of doing so. The most serious sanctions imposed on Russia were the financial ones, which limited the ability of the Russian banks to borrow abroad. Mainland China's financial sector was unable to perform the same function for Russia; mainland Chinese financial industry was huge, but overregulated, unreformed and lacked the necessary expertise.

The Chinese could do little to help the Russians deal with the Western financial sanctions, but what they could do, they did. Major Chinese state-run banks during the crisis started to provide big loans to a limited number of Russian state companies and to businessmen close to the Russian leadership. The most notable recent example was the US\$12 billion loan provided by the Export-Import Bank of China and China Development Bank to Yamal-SPG LNG project controlled by Gennadiy Timchenko, an influential Russian billionaire who was in the Western sanctions lists.

During the worst period of the Russian economic crisis in December 2014 the Chinese officially offered to provide financial and economic help to Russia. However, the offer was politely rejected. The economic crisis was not nearly as serious as it was made out to be by the outside world. There was a concern that the decision to accept the Chinese assistance would greatly weaken Russia's negotiation position on other economic issues.

### **Overblown Problems**

The idea of the Russian-Chinese 'competition' and 'lack of trust' in Central Asia is overblown. The realignment of economic relations of the Central Asian countries towards China started long before the Ukrainian crisis and was accepted as inevitable by Russia. One cannot fight geography and China is the key market for the Central Asian commodities.

However, in 2015 Russia still was the major trading partner for the two most important regional countries, Kazakhstan and Uzbekistan. Russia remains the main destination for labour migrants from Uzbekistan, Kyrgyzstan and Tajikistan and the worker remittances are important for their economies. Kazakhstan and Kyrgyzstan are members of the Russia-led Eurasian Economic Union (EEU).

Russian-Chinese competition theories concerning the Central Asia region also tend to ignore two major political factors. The first is that the political strategies of all of the regional countries are about careful political balancing between the major powers and for that balancing act cooperation with both Moscow and Beijing is necessary. Another factor is the paramount Chinese fear of the US-supported 'colour revolutions' in the neighbourhood.

The issue of political stability in the Central Asian countries is at the very heart of Chinese policies in the region, especially after the 'Tulip revolution' in Kyrgyzstan in

2005. Fierce political competition possibly destabilising the region and opening the doors to Western intervention is the last thing Beijing (and Moscow) need.

### **The Southeast Asian Factor**

Can the recent Russian moves in Southeast Asia, such as President Putin's support for China's position on UNCLOS arbitration and the joint Sino-Russian military exercise in the South China Sea, be attributed to the growing Russian dependence on China? Not really.

Russia's position on the UNCLOS arbitration that set back China's interests in the South China Sea seems to be determined not by any developments in the Asia Pacific; it was mostly by the fact that Russia is now going to face a similar UNCLOS arbitration which Moscow would like to avoid.

In late August 2016 the Ukrainian foreign affairs minister Pavel Klimkin stated that Ukraine would soon start the arbitration procedure against Russia concerning the exclusive economic zone (EEZ) of the Crimea. In this situation the Chinese decision to reject UNCLOS arbitration jurisdiction using the sovereignty clause sets a useful precedent for Russia. As for the exercise, Russia has just reciprocated the Chinese move in 2015 when China sent a naval squadron for the joint Russian-Chinese manoeuvres in the Eastern Mediterranean, during which the Chinese ships visited the Black Sea.

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