

Russia's Partnership with China is the Sign of a New World

Article by Raluca Besliu

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The sanctions imposed by the EU and the US on Russia following its invasion of Ukraine are unprecedented in scale. Despite their magnitude, Europe's dependence on natural gas and Russia's strategic partnership with China will limit the ability of sanctions to constrain Russian aggression. A post-Western international order risks becoming a world of spheres of influence and power blocs. What is the alternative to the "war of all against all"?

Following Russia's full-scale invasion of Ukraine on February 24, 2022, the European Union and the United States announced new, harsher sanctions on the country. The sanctions target key sectors of the Russian economy, such as banking, energy, and technology, though with significant carve-outs, as well as key people in President Vladimir Putin's close circle and the State Parliament.

The EU has also imposed an asset freeze on Putin himself as well as the Foreign Minister Sergey Lavrov, with the US announcing that it will soon follow suit. These sanctions built on a previous round that both the EU and the US had imposed on Russia immediately after it recognised the independence of the Ukrainian separatist regions Donetsk and Luhansk and sent troops into their territory.

Sanctions are not a new strategy from the Western powers. In 2014, sanctions were imposed following Russia's annexation of Ukraine's Crimean peninsula. Those sanctions limited access to Western markets for Russian state enterprises in key sectors and enforced an embargo on exports of designated high-technology oil exploration and production equipment and of military goods.

While these sanctions affected the Russian economy, they also impacted the economies of the EU and the US. In the long term, they were not a sufficient deterrent to prevent Russia from invading Ukraine. The deterioration of relations with the West that began in 2014 pushed Russia to strengthen its economic ties with other economic partners. Most importantly, it led to expanded cooperation with China in key areas, including energy, finance, and security.

In an increasingly multipolar world with various dimensions of economic, military, and political power, Russia is no longer constrained by limitations imposed by the US and EU. It has viable alternative options of trading partners that can substantially reduce the impact of any Western sanctions. Western powers need to recognise this multipolarity and make strategic decisions with care and consideration.

China: a friend in need...

In 2014, shortly after annexing Crimea and facing a package of sanctions, Russia desperately needed support on the international scene. It found a willing partner in China. The two countries signed a strategic partnership, which included high-profile deals, such as a 40-year gas supply agreement between Gazprom and the China National Petroleum Corporation.

The Sino-Russian economic partnership has been growing ever since. The shift has allowed Russia to distance itself from its Western partners and prepare for the imposition of further sanctions. China has been Russia's largest trading partner since 2010. Between 2016 and 2021, foreign trade between the two countries more than doubled, rising from 66 billion to 147 billion dollars.

Since the annexation of Crimea, the two countries have also gradually reduced their use of US dollars in bilateral trade. In 2014, the two countries launched a three-year currency swap worth 150 billion yuan, renewed in 2017, to increase their independence from the US financial system. As the US moved in 2018 to impose heavy tariffs on Chinese goods at the beginning of the US-China trade war, China also started pushing for further de-dollarisation, feeling its own economy was under threat.

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In 2019, China and Russia signed an agreement to replace the dollar with national currencies when entering international settlements. Crucially for Russia, this meant accessing loans and credit in China's currency from entities, such as China Development Bank and the Export-Import Bank of China, which are insulated from Western penalties by a lack of US business interests. Chinese access to other financial markets will be helpful in the current crisis, as those in the West become unavailable to Russia once again.

In resisting the 2014 sanctions, Russia demonstrated that it can adapt to even the harshest of exclusions, as long as it can find support from other crucial actors, especially China. Russia is likely to respond with the same adaptability when facing the 2022 sanctions. The EU and US decision to cut off certain Russian banks from the SWIFT payments system could deprive the Russian economy of billions in the short term, but it is not insurmountable in the long term.

To begin with, it is unlikely that banks involved in transactions with energy products, such as Gazprombank, Russia's third largest bank, will be cut off from SWIFT. Germany has expressed its concern that removing access for Russian oil and gas suppliers would trigger a surge in Europe's energy costs. This means that some of the most powerful Russian banks will not be affected.

Excluding Russia from SWIFT could also have a boomerang effect on Western financial markets. Certain European banks have Russian subsidiaries, from which they obtain part of their net income, such as Société Générale in France and Raiffeisen in Austria. Cutting Russian banks out of SWIFT will diminish these European banks' income. Stock markets

could also become volatile, due to disruption to global trade.

Alternatives to SWIFT already exist and are in use. In 2018, Europe established the INSTEX system so European businesses could trade with Iran, and therefore bypass US sanctions. China has designed its Cross-Border Interbank Payment System (CIPS) to expand central government control over the domestic economy and settle international transactions in yuan, though the majority of China's global transactions are conducted in other currencies, and thus still pass through SWIFT. Creating an alternative to SWIFT was already on the table for Russia and China. Russia's exclusion from SWIFT is likely to speed up this process.

In the days following the invasion, hesitation over whether and how to exclude Russia from SWIFT triggered a further escalation. The US and the EU then announced their decision to freeze the assets of the Russian central bank, and were soon followed by other countries such as Canada and Switzerland. These sanctions are possibly the harshest ever imposed on a major economy. The move targets the 630 billion dollar reserve fund that Russia has developed to resist potential sanctions. It prompted a significant fall in the rouble's value in foreign exchange markets. While the effects will cripple the Russian economy in the short term, the pressure that the West can apply remains limited. For one thing, China is unlikely to support the freeze. In the long term, it is likely that the dramatic sanctions will further undermine the US dollar's position as the international reserve asset of choice.

New heights of collaboration

On 4 February 2022, Russia and China further expanded their collaboration by unveiling a "no limits" partnership covering space, climate change, internet controls, and artificial intelligence. The two countries also announced a new oil and gas deal worth around 117 billion dollars in early February. The contract will supply 10 billion cubic metres per year to China from Russia's far east and extends an existing agreement to supply millions of tonnes of oil through Kazakhstan over the next 10 years. When China engages in major energy deals, it also provides substantial investments in logistics, construction, and maintenance work. These initiatives will be backed with loans and credit in China's currency. On 28 February, Gazprom signed a contract for a new gas link across Mongolia, a connection that will further increase the flow of gas from Russia to China in the coming decades.

Sino-Russian cooperation is a win-win scenario for both countries, and a potential threat to European countries. For Russia, this partnership ensures new customers to soften the blow of any possible penalties on the energy sector from Western powers. Such measures did not fail to arrive, with Germany revoking the certification of the Nord Stream 2 pipeline. The pipeline, running from Russia's coast to northern Germany under the Baltic Sea, was supposed to double the gas flow from Russia to Germany.

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Increased access to Russia's oil and gas resources is a considerable gain for China, the world's largest energy consumer since 2011. China relies heavily on Middle Eastern oil and, to a lesser extent, gas. The volatility of the region as well as the fact that the imported goods have to be transported through maritime routes has led China to diversify its energy sources. Russia is the ideal alternative.

Europe has the most to suffer from this energy rapprochement. The continent receives almost 40 per cent of its gas and more than a quarter of its oil from Russia. Its list of sanctions steered away from jeopardising its imports of Russian fuel, needed for electricity and heating. The obvious omission will not be lost on Russia: cutting energy supplies is a potential retaliatory measure against European sanctions.

During their February meeting in Beijing, Russia and China also backed each other's positions on key security questions: China supported Russia's demand that Ukraine not be admitted into NATO, while Russia opposed any form of independence for Taiwan. When Russia launched its full-blown invasion of Ukraine, China's commitment was tested. The Asian power stayed true to the promises made in Beijing. China not only questioned whether the operation should be called "an invasion", but also blamed the US for heightening tensions and "hyping up" the threat of war. China abstained from voting on a United Nations Security Council resolution condemning the Russian invasion and emphasised that "Russia's legitimate security aspirations should be properly addressed."

A new world order?

At the same meeting in February, China and Russia criticised the attempt of "certain states" to establish global hegemony, seek confrontation, and impose their own standards of democracy. This is a not-so-subtle jab at the US and the EU and marks a clear alignment in positioning that should worry Western countries.

US State Department spokesman Ned Price decried the fact that Russia and China want a world order that is "profoundly illiberal, an order that stands in contrast to the system that countries around the world [...] have built in the past several decades." The current international order was constructed by the US at the end of World War II; it reflects its values and was built to favour its interests and those of its allies. To this day, this largely means European countries. Even so, there are often tensions between the EU and the US positioning on key topics, including climate change, trade, and military interventions. The terminology of an "order" implies a hierarchy of power to be maintained and abided by.

What the existing world order has failed to account for is the rise of new global powers, including China and Russia, that wish to be recognised and treated as such, and allowed to play a greater role on the international scene. The distribution of benefits in international politics often does not correspond with the distribution of power.

Over the years, Russia, the largest nuclear power in the world, has constantly demanded that NATO cease its eastward expansion into what Russia considers its sphere of influence as well as assurances that Ukraine will not join the alliance. This is part of an arguably legitimate concern for its security, as it now borders multiple NATO member states.

Putin has accused NATO of failing to honour a promise made in the early 1990s not to extend its power past the territory of East Germany. This promise was purportedly made by US Secretary of State James A. Baker to former Soviet leader Mikhail Gorbachev during a meeting. Gorbachev himself stressed that this assurance only referred to the fact that no NATO soldiers could be stationed on the territory of the former East Germany and that the statement was therefore taken out of context. While this sense of betrayal could have been misconstrued, it warranted a dialogue. Instead of initiating a conversation, NATO disregarded Russia's stated concerns and intensified its cooperation with Ukraine. In 2020, the alliance recognised Ukraine as an Enhanced Opportunities Partner, deepening cooperation with the country.

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Previous interventions, particularly NATO's campaign in the first Libyan civil war which precipitated the fall of President Muammar Gaddafi, fuelled Russian and Chinese resistance to NATO expansion. In 2011, both countries allowed a NATO coalition to intervene in Libya to implement a UN Security Council resolution calling for an immediate ceasefire and authorising the international community to establish a no-fly zone to protect civilians. NATO's intervention drastically turned the tide in the Libyan conflict, contributing to regime change through actions largely unjustified from a humanitarian standpoint.

One such example was the bombing of Gaddafi's forces in his hometown of Sirte, where the Libyan military posed little threat to the supportive local population. This was less about protecting civilians and more about creating a dent in the Libyan army. Since that intervention, both Russia and China have become opposed to NATO interventions, in Syria for instance.

When it comes to Ukraine, coupled with the Libyan precedent, NATO's failure to engage with Russia and unwillingness to acknowledge the grievances of one of the world's largest energy and military powers led to increasing dissatisfaction and willingness on Russia's part to challenge an existing global system that it felt systematically excluded from.

China has expressed a similar vexation regarding security matters, by stressing that, "even today, China still faces a realistic threat from the US flanked by several of its allies as they wantonly and grossly meddle in China's domestic affairs and undermine China's sovereignty and security on issues, including Xinjiang, Hong Kong and Taiwan."

Despite its status as the second-largest economy in the world, China was expected to follow the position of Western countries on the Russian invasion and was criticised by Western media and political entities for taking a different stance. China has been using this crisis to claim its place at the decision-making table as a key power player, even offering to act as a peacemaker in Russo-Ukrainian negotiations.

Solidarity with Ukraine in a multipolar world

Understanding Russia's increasing alignment with China is crucial if the West is to formulate an effective response to the crisis. European countries and the US must continue to demand de-escalation and the withdrawal of Russian troops from Ukrainian territory and continue to call on Russia to engage in negotiations with Ukraine. Western countries also need to take steps to reduce their dependency on Russia and China, which would provide them with more leverage in the future. This is a process that the EU has already started. In early 2021, it revealed a plan to reduce its reliance on China for supplies such as raw materials and pharmaceuticals. The Ukrainian invasion has also pushed the EU to free itself from dependence on Russian oil and gas quicker than originally planned in the European Green Deal. In response to the Russia's escalating aggression, the European Commission's President Ursula von der Leyen announced that the EU would now double down on renewable energy to increase Europe's strategic energy autonomy.

The world is rapidly entering a post-Western international order. This is no longer the order that the US established at the end of World War II. But it should not become a world of great power alliances and spheres of influence.

At its core, China is not a revolutionary power aiming to establish a new world order but rather a revisionist one "that aims to increase its influence, adjust some rules in its favour, and change aspects of the order that it views as undermining its interests." It is their sense of exclusion from the world order and the decision-making table that antagonises countries such as Russia and China and pushes them to retaliate more forcefully.

Both Europe and the US need to recognise the multipolar nature of the world today and listen to the voices of other major players, including China and Russia. Western countries should open up spaces of dialogue and negotiation without, however, compromising on key principles, such as sovereignty and the rule of law.

In the long term, new norms and institutions are needed to regulate power and peace at the global level as well as tackle the increasingly complex challenges the world is facing. This exercise will be multifaceted and must look beyond the needs and preferences of Western countries. With their emphasis on non-violent conflict resolution as well as their long experience in advocating for a decolonisation of global institutions and United Nations reform, the Greens are well positioned to play an important role in shaping this new international environment.



Raluca Besliu is originally from Romania, but currently lives in Belgium. She is interested in Romanian and Eastern European affairs, human rights issues, and global governance.

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