

Abstract— This brief explains the possibility of China acting as an economic support system for Russia in the midst of Western countermeasures that have grown in response to the Russian invasion of Ukraine. It details the economic history between China and Russia, as well as how the nature of their relationship has evolved following the invasion. Lastly, it considers possible routes that the U.S. may take to deter the expansion of China-Russia relations as the invasion of Ukraine continues.

Keywords— Russia, China, Ukraine, U.S., NATO, and Sanctions

I. EXECUTIVE SUMMARY

Following the Russian invasion of Ukraine in February of 2022, the United States, along with other NATO nations, have imposed significant economic countermeasures against Russia. However, as its economy struggles, Russia may turn to China in search of economic security. This brief explains how Russia has dealt with punitive economic policy from the West, as well as how Russia's long economic relationship with China may play a role in its economic recovery. Finally, the brief considers future approaches the U.S. should take to effectively deter China-Russia relations in the attempt to resolve the Russia-Ukraine Conflict.

II. OVERVIEW

In late 2021, Russia [exponentially](#) built up the number of troops stationed along the Ukrainian border, revealing its intention of invading Ukraine.⁵ Taking the threat seriously, the U.S. and other NATO nations provided military aid to Ukraine, which included financial support, additional troops, and military weapons. After months of build-up, the [invasion](#) officially started on February 24th, and, as of early March 2022, is still ongoing.¹

A. Pointed Summary

- Russian invasion moves further into Ukraine
- Western nations impose harsh punitive economic policy against Russia

➤ Russia-China relations in the midst of the Conflict

B. Relevance

In response to the Russian invasion of Ukraine, Western nations have taken economically punitive actions towards Russia in an effort to deter Russia from further escalating the conflict by continuing the invasion. However, as stated previously, the invasion is still ongoing and does not show signs of slowing down. Satellite imaging, as of March 12th, 2022, shows [a large Russian convoy](#) approaching the Ukrainian capital of Kyiv.²² In the midst of the conflict, international attention has moved to gauge China's response to the invasion, as it is a close ally of Russia. If China moves in to fill the economic gap left by the West, Russia would be able to move further into Ukraine. Nevertheless, as the invasion continues, the West continues to impose harsh economic sanctions and restrictions on Russia.

III. HISTORY

One of the first, and most significant measures, was when the EU took [Russia off of SWIFT](#).²³ Headquartered in Belgium, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) is the central international messaging system for financial deals. By removing Russia, the EU intended to financially isolate Russia from the global economy. Without SWIFT, it is far more difficult to communicate with foreign banks and more difficult to initiate monetary deals. Russia will likely be able to [work around SWIFT](#), though it will be considerably more expensive and financially damaging.⁴

Furthermore, the U.S., along with other nations, has imposed significant sanctions on [Russia](#).³⁸ As of early March, the most recent and

most significant of these sanctions is the ban on Russian gas and energy imports, as a large portion of the Russian economy is predicated on gas exports. Many countries have also provided military and economic support to Ukraine, including the [United States](#), which is currently ratifying \$13.6 Billion in emergency aid. Meanwhile, the [UK](#), Canada, and even notoriously neutral [Switzerland](#) joined the EU in sanctioning Russia.^{9,30,24} Large oil companies have also removed themselves from the Russian economy. [Shell](#) announced that it would be ceasing all investments in Russia.³⁵ [Exxon](#) followed suit, announcing that no new investments would be made.¹¹ Additionally, tech companies like [Apple](#) have fully ceased operations in the country.²⁸

The economic isolation of Russia has had significant effects on its economy. As of March 9th, the [Ruble](#), Russia's currency, has lost 40% of its value vs the U.S. dollar.²⁹ This decrease of the ruble has led to [bank runs](#) across the country, with Russians flocking to ATMs to attempt to remove their money from banks while it still has some value.³⁶ In response to the bank runs and decreasing value of the ruble, [Russia](#) has exponentially increased interest rates, with the hopes of slowing down the economic crash.²¹ Russia does have a stockpile of finances from oil and gas reserves that will help weather the sanctions, but, at the current moment, the economic situation in Russia is unquestionably dire.

A. Tried Policy

Although Russia may be able to withstand western countermeasures for the time being, Russia will require external aid to keep its economy afloat in the long term. As such, Russia will most likely turn to one of its closest allies and largest trading partner: China. Since the fall of the Soviet Union, Russia and China have shared interests in [counteracting Western dominance](#) internationally, leading them to cooperate on many fronts, including [“energy infrastructure and institutional development.”](#)^{34,18} Although trade between the two countries has diversified over the decades, the relationship has largely functioned with China investing in Russian infrastructure systems and Russia providing raw resources to China.

Most notably, Russian energy reserves have acted as the foundation of trade between the two, with [over 70%](#) of Russian exports to China being energy accounts.²⁰ China has expressed desires to take advantage of resource-rich Russia, as it aims to diversify its [“energy sources and enhance its strategic positioning”](#) in Eurasia.¹⁸ To do so, China has invested heavily in Russian infrastructure, specifically [“transportation infrastructure, energy, and telecommunications.”](#) as well as infrastructure for their transcontinental trade route: The Belt and Road Initiative (BRI).³⁴ More recently, Russia and China's economic relations have grown over the trading of [military-grade weapons](#), with Russia providing nearly “70 percent of China's arms imports between 2014 and 2018.”²⁰ Nevertheless, it is important to note the relationship between Russia and China has been mainly transactional, with both [not fully trusting each other](#), but appreciative of their economic compatibility.¹⁸ Considering their transactional and opportunistic relationship, Russia is aiming to maintain Chinese economic interests as Western countermeasures continue to hit the Russian economy.

B. Current Stances

However, in light of the Russian invasion of Ukraine, China has taken a neutral position. Although the U.S. and Australia, along with other nations, have demanded that China [condemn](#) Russia's actions, the Chinese Foreign Ministry has instead [blamed](#) the invasion on U.S. involvement and NATO's unwarranted expansion into eastern Europe.^{7,13} Moreover, recent Western intelligence [finds](#) that senior Chinese officials had prior knowledge of Russia's plan, advising Russian officials to delay the invasion until after the Winter Olympics.³⁹ Trade between the two countries has continued despite a flurry of European sanctions on Russia. China has [relaxed](#) previous restrictions on Russian wheat imports, easing Beijing's food shortage and providing Russia – the top wheat producer – with a secure buyer.¹⁷ President Putin also told President Xi that Russia intends to supply China with 10 billion cubic meters of natural gas.

Along with SWIFT, Russia has also been shut out of global payments markets – with Visa and MasterCard [suspending](#) operations with Russia.¹⁶

Nevertheless, in response, Russian banks have turned to China's UnionPay to issue cards, which is reportedly accepted in 180 countries. However, these measures are not enough. Unprecedented sanctions have caused the value of the Russian ruble to plunge and inflation to skyrocket, [inflicting](#) long-term damage to the Russian economy.²⁵ President Putin [warned](#) that international and Ukrainian backlash risk "the future of Ukrainian statehood", referring to the extensive sanctions as "a means of fighting against Russia."³

IV. POLICY PROBLEM

A. Stakeholders

With China's relative support of Russia at the time of the invasion of Ukraine, there is growing concern about strengthening China-Russia relations. Although China has sided with Ukraine in the past for trade agreements and initiatives, such as the Belt and Road initiative, China has been shifting its [position](#) to one that is in favor of international order but supportive of Putin's leadership.⁶ This shift was evident during the Winter Olympics summit when Putin issued a joint statement with China condemning U.S. influence and claiming "no limits to their partnership." Due to the [countermeasures](#) that the West has put in place to economically isolate Russia, China has been able to [increase its ties to Russia](#) by increasing bilateral trading of Russian products like oil, which is likely to dampen the impact of Western sanctions.^{6,8} The Pentagon itself has stated that China's tacit support for Moscow in the Ukraine standoff is "[deeply alarming](#)."⁸

B. Nonpartisan Reasoning

Despite its growing ties to Russia, China still remains hesitant in aiding Russia in the wake of the invasion of Ukraine. Recently, China has come under criticism from the U.S. and its allies for its ability to "[undermine the Western economic coercion](#)" against Russia.³¹ However, China is not rushing to aid Russia in tackling economic sanctions and restrictions placed by Western nations. Rather, Chinese officials have focused on "building up resilience against similar measures that could target the country in the future." For instance, two of China's biggest commercial [banks placed](#)

[restrictions on the financing or purchasing of Russian commodities](#), which is a sign that China is concentrating on stabilizing its country in case of backlash from Western nations.³¹ While China may aid Russia in areas of [technology and energy](#), the move would negatively impact China, as "the West has far more to offer than Russia in terms of semiconductors, software, and high-end industrial goods."²⁷ In order for China to maintain ties with Western nations in the midst of conflict, distancing from Russia in various sectors of the economy would likely be the best move.

V. POLICY OPTIONS

Nevertheless, in an effort to avoid a more comprehensive and dedicated strategic partnership between Russia and China, the West must use a two-prong approach that increases military deterrence and limits Chinese economic influence.

Increasing the Scope and Nature of Strategic Partnerships

China's economic prosperity has allowed Beijing to increase defense commitments, turning a military that was "[backward and obsolete](#)" into a formidable force.¹⁰ Combined with Russia, the U.S. is unable to respond alone as it "can [no longer afford](#) to spread its military across the world."¹⁰ This 'spread-too-thin' phenomenon requires that the U.S. bolster existing security guarantees and generate new ones.

European

First, the U.S. needs to repair "damaged ...relationships with NATO allies" if it seeks to widen the scope of its military deterrence. Countering the emergence of a Chinese-Russian partnership will require cooperation among the U.S. and its European allies. Decisive action based on consensus building around the Ukraine conflict has the potential to rekindle and solidify fractured relationships through clear common interests. A key component of this effort requires reversing the '[America First](#)' rhetoric of the Trump administration and convincing European states that the U.S. is dedicated to its collective defense.³³ Along the way, the U.S. and NATO allies will have to strategically refocus on "[emerging threats of cyberattacks and information warfare](#)."²

Indo-Pacific

The second strategic front is the Indo-Pacific. While the U.S. is mending relationships in Europe, in southeast Asia, it must engage in building relationships. The strategic location of Eastern NATO members has historically allowed for effective military deterrence. To maintain deterrence against a Chinese-Russian alliance, the U.S. will need equal capabilities in Asia. This concept has been titled “[integrated deterrence](#)” by Secretary Austin, whereby the U.S. seeks to rely on existing capabilities and partnerships combined with new ones to counter emerging threats.¹⁵ This means “[deepening \[...\] alliances with Australia, Japan, the Republic of Korea \(ROK\), the Philippines, and Thailand](#)” as well as developing closer ties with other leading regional powers – Singapore, Malaysia, New Zealand, etc.¹²

Connecting these European and Indo-Pacific countries may prove to provide a more comprehensive and unified strategic response, but any formalized action – i.e., bringing an ASEAN country into NATO – would do more to escalate than deter. The immediate goal is not to establish a framework that would allow the West to win a war, but to craft an alliance that persuades Beijing and Moscow that, even together, aggressive action is not in their best interest.

Undercutting Chinese Economic Expansion

The Chinese-Russian alliance is based on creating mutual strategic fortitude by offsetting each other's strengths and weaknesses. Russia needs Chinese economic power since, while Beijing is projected to be the top economy in years to come, Moscow “[is still a midsize economic power whose \[GDP\] is smaller than that of Italy.](#)”³² China's financial prowess has most recently been a great asset to Russia, with [UnionPay](#) subbing in for SWIFT following Western attempts to isolate Russia.²⁶

Among preeminent Chinese economic strategies is the [Belt and Road Initiative](#), whereby China has created infrastructure investments and projects in countries across the world as a proxy to expand geopolitical, economic, and financial power.³⁷ The strategy has been largely effective,

allowing China to export overproduction of steel and continually create contracts with top domestic companies. The Western response to the BRI, however, has been slow. Biden's proposal – Build Back Better World – lacks the administrative care and sheer investment power to [effectively counterbalance](#) the BRI.¹⁹

In order to reassert the West's financial supremacy and undercut China's economic power, the U.S. and its Western allies need to develop and prioritize an expansive economic plan tailored to crowd out Chinese investment in regions across the globe. In doing so, the West reduces Russia's incentive to partner with the country, taking away the core benefit Moscow hopes to reap.

VI. CONCLUSIONS

The conflict in Ukraine has certainly served to accelerate the Sino-Russian relationship (just as it has served to strengthen Western cohesion), but it is important to note that this partnership is still in its early stages. Initially declared to be “[no limit](#),” the alliance is already starting to fracture under the weight of Beijing's objections to the instability caused by Putin's invasion of Ukraine.¹⁴

Nevertheless, the West should act quickly to establish long-term strategic and economic frameworks that both reduce the incentive for the Eastern partnership and the effectiveness of one when it materializes. Important precedent-setting now means the West cannot lose sight of broader relevant geopolitical priorities – including Taiwan and the Iran Nuclear Deal – while attempting to resolve the Ukraine conflict.

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