



BANKING ON BEIJING

WHAT THE UKRAINE CRISIS MEANS FOR THE FUTURE OF CHINA-RUSSIA RELATIONS

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The ongoing crisis in Ukraine has irreversibly reshuffled the interaction between the world's great powers. While Russia's relations with the Western world have reached a new nadir, its ties with the People's Republic of China have gained unprecedented significance. The Kremlin's willingness to risk an open confrontation with the West has been premised on its conviction that much of the ensuing fallout, particularly on the economic front, can be buffered by intensifying cooperation with other emerging powers – above all with China. Through its increasingly close relationship with Moscow, Beijing therefore plays an indirect but nonetheless critical role in the events that are currently unfolding between Russia and the West.

CASHING IN ON THE CRISIS

The crisis in Ukraine began in November 2013, when the Ukrainian government under then President Victor Yanukovich decided to suspend an Association Agreement with the European Union in favour of pursuing the country's incorporation into the Eurasian Economic Union, a Moscow-dominated regional integration project.¹ The months-long nationwide demonstrations that followed this widely unpopular decision eventually escalated in the wake of a violent crackdown by security forces, leading to the ouster of the Moscow-friendly government on 21 February 2014 and its replacement by a pro-Western political coalition. Within days, Russia reacted by occupying the Crimean Peninsula, home to a major Russian naval base. Following a controversial referendum on 16 March 2014, Crimea was formally annexed by Russia. In early April, pro-Russian protesters and heavily-armed separatist militias began to occupy administrative buildings throughout eastern Ukraine's Donbass region, culminating in an all-out seizure of large swathes of territory. This triggered an ill-conceived military campaign by the Ukrainian armed forces to recapture these territories from the separatists.²

1 See David Cadier (ed.), *The Geopolitics of Eurasian Economic Integration*, LSE IDEAS Special Report, June 2014.

2 "Ukraine Crisis: Timeline", *BBC*, 13 November 2014, <http://www.bbc.com/news/world-middle-east-26248275>.

From the onset of the revolt in eastern Ukraine there were indications of a strong involvement of Russian paramilitary and military forces among the separatists,³ and their activities were apparently stepped up over time as the conflict escalated into a full-blown civil war. The European Union, the US and other Western states responded by imposing increasingly harsh financial and economic sanctions against Russia, while attempting to isolate Moscow on the international stage.⁴ Despite a formally declared ceasefire, the armed stand-off in eastern Ukraine continues to this day along a frozen frontline that stretches from the regional industrial centres Luhansk and Donetsk to the Sea of Azov. While China has consistently shied away from taking a clear stance on the Ukraine crisis, it has been able to reap a number of concrete benefits from the turmoil in Ukraine – not least of which is the fact that it has diverted some of Washington's attention away from its geopolitical 'pivot' to East Asia and back to the former Cold War hotspot of Eastern Europe. In China's relations with Russia, these benefits have for the most part been economic. The severance of ties between Russia and Western Europe has opened up various opportunities for China to deepen its trade, financial and investment activities on the Russian market.

As all of Western Europe, Canada, Australia and Japan have joined the US-led attempt to isolate Moscow and to impose punitive sanctions on Russia, China has resisted such efforts and is now left as the only major economy outside of the sanctions regime. (While India has similarly made no efforts to isolate Moscow, its \$10 billion annual trade with Russia is negligible in comparison with Sino-Russian trade.) Beijing's ambassador to Germany openly stated in early October 2014 that China is ready to seize any business opportunities in Russia resulting from the Kremlin's diplomatic dispute with Europe over Ukraine.⁵ China's exports to Russia climbed 10.5 percent in the first three quarters of 2014, while imports rose 2.9 percent from the same period in 2013.

The Kremlin has looked to Chinese companies in the hope of procuring replacement products for banned Western oil production technologies (including Arctic and offshore drilling, fracking and advanced refining equipment) and electronic components for the military and aerospace industries, which Russia's domestic producers are unable to replicate.⁶ China's Honghua Group was reported to be in line to receive Russian contracts for oil drilling technologies, for instance, and Russia's federal space agency Roscosmos has consulted the China Aerospace Science and Industry Corporation about

³ Andrew Higgins et al., "Photos Link Masked Men in East Ukraine to Russia", *New York Times*, 20 April 2014, http://www.nytimes.com/2014/04/21/world/europe/photos-link-masked-men-in-east-ukraine-to-russia.html?_r=1.

⁴ "Ukraine Crisis: Russia and Sanctions", *BBC*, 19 December 2014, <http://www.bbc.com/news/world-europe-26672800>.

⁵ Ben Blanchard, "Chinese Premier to Attend Europe Summit, Sign Russia Rail Deal", *Reuters*, 4 October 2014, <http://www.reuters.com/article/2014/10/04/us-china-europe-idUSKCN0HT01V20141004>.

⁶ Ankit Panda, "Following Sanctions, Russia Turns to China for Defense and Aerospace Equipment", *Diplomat*, 12 August 2014, <http://thediplomat.com/2014/08/following-sanctions-russia-turns-to-china-for-defense-and-aerospace-equipment/>.

the potential purchase of various electronic components for its space programme.⁷ In addition, Moscow has taken numerous steps to ease Chinese investment in various Russian industrial sectors, including those (such as automobile production or large infrastructure projects) that the Kremlin had previously closed off to Chinese investors.⁸ Chinese investment in Russia more than doubled in 2014, to \$8 billion. And since many Russian entities have found themselves effectively unable to borrow anything in US dollars, euros or yen, Chinese banks have become an increasingly important source of vital loans. During Chinese Prime Minister Li Keqiang's visit to Russia in October 2014, for instance, China's Export-Import Bank agreed to provide credit lines worth more than \$4 billion to Russian state banks VTB and Vneshekonombank, both of which are subject to Western sanctions.⁹

Against the backdrop of the turmoil generated by Russia's intervention in Ukraine, Moscow and Beijing have initiated a number of substantial bilateral projects that Russia sees as vital in lessening its dependence on the West's economic and financial infrastructure. When US sanctions led the world's leading credit card companies Visa and MasterCard to suspend credit card services for Russian banks, for instance, Moscow officials immediately proposed the creation of an independent national payment system, which was to be based on – or indeed joined with – China's payment network UnionPay.¹⁰ Both countries also discussed the possibility of creating an alternative to the SWIFT method of interbank transfers between them.¹¹ And following Standard & Poor's downgrading of Russia's sovereign debt rating to near-junk status in April 2014, Moscow and Beijing signed an agreement on developing their own joint credit ratings agency as a counterweight to Western agencies.¹² In addition, since the outbreak of tensions with the West, Russian companies have made renewed efforts to explore non-dollar settlements with Chinese firms. In the context of Russia's deepening confrontation with the West over Ukraine, yuan-rouble trading has grown faster than any other pair of currencies on the Moscow Exchange.¹³

⁷ Vasily Kashin, "Russia Must Expand Relationship with China", *Moscow Times*, 5 October 2014, <http://www.themoscowtimes.com/opinion/article/russia-must-expand-relationship-with-china/508425.html>.

⁸ Yana Tsinoeva, "Rossijsko-Kitajskie Proekty v Avtoprome", *Kommersant*, 15 September 2014, <http://kommersant.ru/doc/2567440>.

⁹ "Sanctions-Hit Russia Signs Deals with China on Energy and Finance", *Moscow Times*, 13 October 2014, <http://www.themoscowtimes.com/business/article/sanctions-hit-russia-signs-deals-with-china-on-energy-and-finance/509339.html>.

¹⁰ Nathan Vanderklippe, "The Bear and the Dragon: Russia Pivots to China in the Face of Western Sanctions", *Globe and Mail*, 25 April 2014, <http://www.theglobeandmail.com/report-on-business/international-business/european-business/the-bear-and-the-dragon-russia-pivots-to-china-in-the-face-of-western-sanctions/article18231699/?page=all>.

¹¹ "Russia, China in Talks to Make Alternative to SWIFT – Deputy PM", *Itar-TASS*, 10 September 2014, <http://itar-tass.com/en/economy/748916>.

¹² "Konkurrenz für USA: Russland und China Planen Neuen Rating-Riesen", *Spiegel*, 3 June 2014, <http://www.spiegel.de/wirtschaft/unternehmen/russland-und-china-wollen-neue-rating-agentur-gruenden-a-973090.html>

¹³ Evgenia Pismennaya, "Moscow's 'Mr. Yuan' Builds China Link as Putin Tilts East", *Bloomberg*, 24 September 2014,

In October 2014, the turnover of yuan-rouble currency trades rose to a historical high of \$1.8 billion.¹⁴ Around the same time, the Chinese and Russian Central Banks signed a three-year yuan-rouble currency-swap agreement worth \$25 billion.¹⁵ Russia's largest bank, the state-controlled Sberbank, announced in November that it was beginning to issue yuan-denominated letters of credit. When the value of the rouble plummeted in December, China's Foreign Minister Wang Yi went as far as to proclaim that Beijing was willing to 'provide the necessary assistance' to Russia in stabilising its currency, although he stopped short of specifying what precise measures China was willing to take.¹⁶ At a multilateral level, the informal 'BRICS' (Brazil, Russia, India, China, South Africa) grouping of emerging economies on 15 July 2014 formally established the BRICS-backed New Development Bank, a development finance institution to rival the Western-dominated World Bank, with an initial authorised capital of \$100 billion. The BRICS states also agreed on the foundation of the Contingency Reserve Arrangement, a \$100-billion special currency reserve fund to serve as an alternative to the International Monetary Fund.¹⁷

Taken as a whole, the Sino-Russian bilateral projects that were initiated in the wake of the Ukraine crisis promised the creation of a substantial common financial infrastructure between the two countries. Their progress to this day has been modest, however, and if the previous record of implementing Sino-Russian projects in the financial sphere is to be any guide, most of these plans are unlikely to be implemented. The same applies to other bilateral initiatives that have generated interest and concern among Western observers since the escalation of events in Ukraine. A Sino-Russian joint naval exercise in the East China Sea in May 2014, for instance, was seen by many commentators as further evidence of China's and Russia's rapprochement on account of the Ukraine crisis. But although 'Joint Sea 2014' was one of their largest joint naval exercises to date, involving a total of 14 ships and two submarines, it was merely the latest in a string of routine military manoeuvres that China and Russia have jointly organised since 2003. In late August, China and Russia also jointly participated in 'Peace Mission 2014', a six-day multilateral military drill held under the aegis of the Shanghai Cooperation Organisation (SCO) in the Chinese province of Inner Mongolia. SCO military exercises have taken place at irregular intervals since 2003, but Chinese officials stated that this year's drill was the

<http://www.bloomberg.com/news/2014-09-23/moscow-s-mr-yuan-builds-china-link-as-putin-tilts-east.html>.

¹⁴ "Ruble-Yuan Trading Reaches Record Levels as Russia Looks East", *Moscow Times*, 6 November 2014, <http://www.themoscowtimes.com/business/article/ruble-yuan-trading-reaches-record-levels-as-russia-looks-east/510723.html>.

¹⁵ Alexander Gabuev, "Sanctioned Russia: A New Testing Ground for Chinese Yuan", *Eurasia Outlook*, 12 August 2014, <http://carnegie.ru/eurasiaoutlook/?fa=56372>.

¹⁶ "China Will Help Russia Save the Ruble If Necessary, Foreign Minister Says", *Moscow Times*, 22 December 2014, <http://www.themoscowtimes.com/business/article/china-will-help-russia-save-the-ruble-if-necessary-foreign-minister-says/513714.html>.

¹⁷ Cf. Vikram Nehru, "The BRICS Bank: Now Comes the Hard Part", *Carnegie Asia Programme*, 17 July 2014, <http://carnegieendowment.org/2014/07/17/brics-bank-now-comes-hard-part/hg8d>.

largest ever held by the Organisation.¹⁸ Remarkably, however, the scenario of the 2014 joint exercises was centred on the simulated suppression of ‘a separatist organisation in a certain country, supported by an international terrorist organisation, plotting terrorist incidents and hatching a coup plot to divide the country’.¹⁹ Thus, beyond underscoring Sino-Russian solidarity, the SCO manoeuvres simultaneously served as a reminder that separatist currents such as those backed by Moscow in Ukraine are still viewed as a paramount security threat by the other states of the Central Asian region, including China. At the latest SCO summit meeting in Tajikistan on 12 September 2014, Russian President Vladimir Putin received a tepid response from the Organisation’s other heads of state to his renewed attempts to court international support for his policies in Ukraine.²⁰

The announcement in March 2014 of new Russian arms sales to China – in particular Russia’s most advanced air defence system, the S-400 – signalled a further revival of the long-languishing bilateral arms trade, as well as Moscow’s increasing willingness to supply China with state-of-the-art weapons systems. But it also merely continues a sequence that saw Russia emerge as China’s primary arms supplier in the 1990s. Various other recent bilateral initiatives, such as the announcement by Russia’s space agency chief of greater cooperation between the Chinese and Russian space programmes,²¹ have been altogether more symbolic and insubstantial.

THE GAS AGREEMENT - WAS IT THAT BIG A DEAL?

None of the aforementioned initiatives has been a real game changer, but there was one development in recent Sino-Russian relations that promised to have a substantial long-term impact on the dynamic of future bilateral interaction: the signing of a \$400 billion natural gas supply deal between Russia’s Gazprom and China National Petroleum Corporation (CNPC) on 21 May, 2014, involving the construction of the \$22 billion, 3,200 km gas pipeline ‘Power of Siberia’ from Russia’s Sakha Republic to north-east China. Alongside the landmark \$400 billion contract with Gazprom, CNPC also signed a smaller deal with Russia’s second-largest natural gas producer Novatek to supply 3 million tons of liquefied natural gas (LNG) annually for 20 years from Russia’s Yamal Peninsula.²²

¹⁸ Joshua Kucera, “Russia and the SCO Military Exercises”, *Diplomat*, 28 August 2014, <http://thediplomat.com/2014/08/russia-and-the-sco-military-exercises/>.

¹⁹ “Military to Minimize Flight Delays During Drill”, *Xinhua*, 18 August 2014, http://news.xinhuanet.com/english/china/2014-08/18/c_133566325.htm.

²⁰ Joanna Lillis, “Putin Fails to Win Ukraine Consensus at SCO Summit”, *EurasiaNet*, 12 September 2014, <http://www.eurasianet.org/node/69961>.

²¹ Matthew Bodner, “Russian Space Agency Plans China Shift Amid Sanctions Fears”, *Moscow Times*, 24 April 2014, <http://www.themoscowtimes.com/business/article/russian-space-agency-plans-china-shift-amid-sanctions-fears/498879.html>.

²² “Novatek and China’s CNPC Sign LNG Supply Deal”, *Moscow Times*, 20 May 2014, <http://www.themoscowtimes.com/business/article/novatek-and-chinas-cnpc-sign-lng-supply-deal/500497.html>.

The dimensions of the Gazprom-CNPC agreement are nothing short of historic. It initially provides for 38 billion cubic metres (bcm) per year of gas supplies to China (almost a quarter of China's current gas consumption and about 10 percent of its estimated demand by 2020). The gas pipeline deal had been in the making for two decades; the first memorandum of understanding on the construction of a natural gas pipeline between Russia and China dates from 1994.²³ Over the past decade, China and Russia agreed seven times to the basic outlines of an agreement, but it consistently failed to materialise amidst enduring disputes over price and the role Chinese companies could play in building the pipeline and extracting the gas.

Prima facie, the 21 May deal appeared as a victory for Moscow, which had long hoped to reduce its energy export dependency on Western Europe (currently 84 percent of Russia's oil exports and 76 percent of its natural gas exports go to Europe). But by all appearances Moscow paid a high price for its agreement with Beijing. The conclusion of the agreement involved a large number of variables, including the question of who exactly would cover the costs of the pipeline and processing infrastructure and of upstream gas field development (estimated at more than \$50 billion),²⁴ the minimal 'take-or-pay' requirements for China, the conditions of a \$25 billion loan China agreed to provide, the arrangements surrounding a suspension of the Mineral Extraction Tax in Russia, possible Russian concessions regarding Chinese companies' access to upstream and midstream assets in eastern Siberia, and potential synergies with Russia's LNG projects in the region.²⁵ Nonetheless, it can reasonably be assumed that the decades-long deadlock was finally overcome due to substantial concessions on Russia's part.

Russia had originally wanted China to pay the same price for its gas exports that it charges Europe, namely \$380.50 per thousand cubic metres,²⁶ but Russia's Energy Minister Alexander Novak eventually confirmed an average price of \$350 per thousand cubic metres.²⁷ The direct expenses on gas production, processing and transit could eventually exceed \$300 per thousand cubic metres.²⁸ Under these circumstances, the contract with China will at best leave Gazprom with a negligible profit margin – quite aside from the fact that gas exports to China through the 'Power of Siberia' pipeline

²³ Keun-Wook Paik, *Sino-Russian Oil and Gas Cooperation: The Reality and Implications* (Oxford: Oxford University Press, 2012), 12.

²⁴ Akio Kawato, "Much Ado About 'Sino-Russian Axis'", *Eurasia Outlook*, 10 June 2014, <http://carnegie.ru/eurasiaoutlook/?fa=55870>.

²⁵ Cf. Ilya Zaslavskiy, "Insiders Benefit from Gazprom-CNPC Gas Deal, but Russia's Budget Loses", *Chatham House Expert Comment*, 2 June 2014, <http://www.chathamhouse.org/expert/comment/14633>.

²⁶ Erica S. Downs, "A Grand Bargain", *Brookings Brief*, 28 May 2014, <http://www.brookings.edu/research/articles/2014/05/28-russia-china-gas-grand-bargain-downs>.

²⁷ Zaslavskiy, "Insiders Benefit from Gazprom-CNPC Gas Deal".

²⁸ *Ibid.*

are set to commence no earlier than 2018. More than a decade will be required to increase the capacity of gas fields and pipelines to the promised benchmark of 38 bcm per year.²⁹

It was China that emerged as the great winner of the May 2014 agreement. In spite of US Secretary of State John Kerry's assertion that Washington 'doesn't see any relationship whatsoever' between the gas agreement and the crisis in Ukraine,³⁰ it can safely be assumed that the final conclusion of the gas deal was overwhelmingly owed to the repercussions of the Ukraine crisis. The Russian business daily *Kommersant* reported that Gazprom was put under strong pressure by the government to conclude the gas deal, since it was seen as necessary to confront the EU with the prospect of decreasing gas deliveries.³¹

Similar pressures and theatrics underlie more recent initiatives to supply gas from western Siberia to China through the construction of a second, western gas pipeline route that would carry at least 30 bcm of gas per year. This project had languished for decades, but the increasing confrontation over Ukraine gave it a new lease of life. In mid-September 2014, the head of Gazprom announced that the company was ready to conclude a 30-year deal to export natural gas to China through the western pipeline route.³² The Russian and Chinese presidents signed a framework agreement in early November.³³ But various questions and disagreements about the western pipeline project remain, particularly about the final price of the transported gas. The pipeline route would transport Russian gas across the Altai Mountains to remote parts of Western China, making it even less likely that Gazprom could strike a profitable deal with its Chinese interlocutors than in the case of the 'Power of Siberia' project.³⁴

Russia's novel isolation has also provided the impulse to open up other segments of the Russian energy sector that had previously been off limits to the Chinese. China had long sought direct access to Russian oil and gas fields in return for capital investments in export pipelines, but until recently Moscow was unwilling to grant Chinese companies equity stakes in conventional onshore deposits. In the wake of the Ukraine crisis, the Kremlin abandoned this cautious approach. On 1 September 2014,

²⁹ Mikhail Krutikhin, "East or West, Home Is Best", *Eurasia Outlook*, 15 October 2014, <http://carnegie.ru/eurasiaoutlook/?fa=56936>.

³⁰ "Kerry Says Russia-China Gas Deal not Linked to Ukraine", *Straits Times*, 22 May 2014, <http://www.straitstimes.com/news/world/europe/story/kerry-says-russia-china-gas-deal-not-linked-ukraine-20140522>.

³¹ Yuri Barsukov and Alexander Gabuev, "Kak Razobrat' Kitajskuyu Gramotu", *Kommersant*, 15 September 2014, <http://kommersant.ru/doc/2567331>.

³² Keith Johnson, "Hammered by the West, Putin Turns East", *Foreign Policy*, 18 September 2014, http://www.foreignpolicy.com/articles/2014/09/18/hammered_by_the_west_putin_turns_east_russia_china_gas_altai.

³³ Lucy Hornby, "Putin Snubs Europe with Siberian Gas Deal that Bolsters China Ties", *Financial Times*, 10 November 2014, <http://www.ft.com/intl/cms/s/0/79eeabb0-6888-11e4-acc0-00144feabdc0.html?siteedition=intl>

³⁴ Johnson, "Hammered by the West, Putin Turns East".

the Russian government proposed to Chinese Deputy Premier Zhang Gaoli that Chinese companies buy an equity stake in the Vankor oil field in northern Siberia, one of Russia's most important oil development projects.³⁵ Putin personally told Zhang that the 'state supported such plans', adding that 'overall, we take a cautious approach to letting in our foreign partners, but of course we set no restrictions for our Chinese friends'.³⁶ Moscow's unprecedented offer was made in the context of liquidity problems affecting the country's largest oil company, Rosneft, which operates the Vankor field and is 69 percent owned by the Russian state. Heavily indebted Rosneft had been targeted by US and EU Ukraine-related sanctions in July 2014, leading it to request a \$42 billion loan from the Russian government the following month.³⁷ By the time the Vankor stake was offered to Beijing in early September, a new round of EU sanctions against Rosneft was in preparation.³⁸ According to Eurasia Group analyst Emily Stromquist, 'Rosneft's decision to offer China a stake in the mega Vankor oil field in East Siberia signals that Moscow's bargaining position has been further weakened by sanctions and that it needs the capital infusion'.³⁹ On 9 November, on the side-lines of the APEC summit in Beijing, Rosneft and CNPC signed a framework agreement envisaging the purchase of a 10 percent share in the field's operator Vankorneft.

If the chequered track record of previous energy deals between China and Russia is to be any guide, the practical implementation of the recent energy agreements will likely be beset by problems. A landmark oil pipeline agreement reached by both countries in April 2009, for instance, showed some signs of unravelling as early as March 2011, two months after the pipeline started operation, when Russia accused the Chinese of unilaterally cutting prices and threatened to take legal action.⁴⁰ Perhaps unsurprisingly, doubts soon arose regarding China's \$25 billion prepayment for last year's Gazprom-CNPC gas agreement, and Gazprom's Deputy CEO Aleksandr Medvedev stated that the question of the payment was still 'hanging in the air'.⁴¹ In March, Reuters cited industry and banking sources close to Gazprom who stated that Russia may postpone the completion of the 'Power of Siberia' gas pipeline project until after it has built the western pipeline route, a development that would directly contradict China's preferences.

³⁵ Isabel Gorst, "China Winning from Russia-Ukraine Crisis", *Financial Times*, 1 September 2014, <http://blogs.ft.com/beyond-brics/2014/09/01/china-emerges-as-winner-from-russia-ukraine-crisis/>.

³⁶ Jack Farchy and Lucy Hornby, "Rosneft Proposes Chinese Company Take Stake in Russian Oilfield", *Financial Times*, 1 September 2014, <http://www.ft.com/intl/cms/s/0/01ab7166-31f0-11e4-a19b-00144feabdc0.html>.

³⁷ Jack Farchy and Kathrin Hille, *Financial Times*, "Rosneft Asks Russia for \$42bn", 14 August 2014, <http://www.ft.com/intl/cms/s/0/278052ce-23ce-11e4-86fc-00144feabdc0.html?siteedition=intl#axzz3ZZQd5FW7>.

³⁸ Peter Spiegel, "EU Plans to Target Russian Oil Groups with New Sanctions", *Financial Times*, 4 September 2014, <http://www.ft.com/intl/cms/s/0/307bdcde-3442-11e4-8832-00144feabdc0.html#axzz3ZcDmokeS>.

³⁹ Dmitry Zhdannikov et al., "Rosneft Struggles to Grow as Sanctions Hit Russia's Oil Champion", *Reuters*, 9 September 2014, <http://www.reuters.com/article/2014/09/09/us-ukraine-crisis-russia-rosneft-idUSKBN0H40HA20140909>.

⁴⁰ Linda Jakobson et al., *China's Energy and Security Relations with Russia* (Stockholm: SIPRI, 2011), 31, <http://books.sipri.org/files/PP/SIPRI29.pdf>.

⁴¹ Jack Farchy and Kathrin Hille, "Chinese Lenders Grow Wary of Russia", *Financial Times*, 12 October 2014, <http://www.ft.com/intl/cms/s/0/4e3ec352-51f8-11e4-b55e-00144feab7de.html>.

Gazprom has yet to comment on these latest assertions.⁴² The events in Ukraine have also served as a reminder for Beijing that Russia, unlike its pliable neighbours in Central Asia, remains disconcertingly unpredictable in using its energy exports as a power tool for geopolitical ends.

The fact that the recent advances in Sino-Russian energy cooperation, including the landmark gas agreement in May, were made at a point when the Russian government found itself in a position of relative weakness does not bode well for their durability and long-term implementation. Moscow has long felt profoundly ambiguous about its energy relationship with China. For many years, the Kremlin has been exceedingly concerned about Russia becoming a mere raw materials appendage to its booming neighbour, and it has made futile attempts to decrease the share of raw materials among Russia's exports to China, which now account for more than 90 percent of total exports.⁴³ The new gas deal is bound to further exacerbate this imbalance. For all the benefits Beijing has been able to reap from the disturbances in Ukraine, the crisis has some negative economic implications for China as well, particularly in its effect on the substantial bilateral economic ties it established with Ukraine in recent years. China was Ukraine's second largest trading partner after Russia in 2013, with an annual trade turnover of ca \$11 billion. Prior to the crisis, China had invested ca \$10 billion in Ukraine, and Kiev is said to have received another \$8 billion investment offer from China during official meetings in December 2013.⁴⁴ A particularly fast-growing area of cooperation between China and Ukraine was the agricultural sector: both countries signed a deal in the autumn of 2012 which stipulated that Ukraine would export 300 million tons of grain each year to China over a period of 15 years, in exchange for more than \$3 billion in loans.⁴⁵ In September 2013, Beijing and Kiev reportedly concluded a 50-year contract for two Chinese state-owned companies to 'rent' up to 3 million hectares of farmland in eastern Ukraine, which is equivalent to ca five percent of the country's territory.⁴⁶

Another important field of cooperation was the trade in military goods. Ukraine has played a vital role in China's recent military modernisation, in particular through the sale of aircraft and tank engines, naval gas turbines and the world's largest military-purpose amphibious hovercrafts, as well as research and development for military transportation aircraft. In 2012 alone, Kiev exported an estimated \$690 million in arms and equipment

⁴² Denis Pinchuk et al., "Russia Could Postpone Gas Pipe to China Touted by Putin – Sources", *Reuters*, 18 March 2015, <http://uk.reuters.com/article/2015/03/18/russia-gas-china-idUKL6N0WI48420150318>.

⁴³ Vyacheslav Chubarov, "Epokha Razvitogo Kolonializma", *Kommersant Den'gi*, 25 January 2010, <http://www.kommersant.ru/doc/1303746>.

⁴⁴ Emanuele Scimia, "China, Russia and the Ukrainian Divide", *Deutsche Welle*, 25 March 2014, <http://www.dw.de/china-russia-and-the-ukrainian-divide/a-17518838>.

⁴⁵ Colum Lynch, "Beijing and Moscow Part Ways Over Ukraine", *Foreign Policy*, 5 March 2014, http://www.foreignpolicy.com/posts/2014/03/05/beijing_and_moscow_part_ways_over_ukraine.

⁴⁶ Yu Bin, "China-Russia Relations: 'Western Civil War' Déjà Vu?", *Comparative Connections* 16:1 (May 2014), http://csis.org/files/publication/1401qchina_russia.pdf.

to China.⁴⁷ Given these substantial commercial links, the Chinese leadership has had an interest in opposing any further destabilisation of Ukraine, let alone the territorial fracturing of the state – not least since many of China’s investments in *ante bellum* Ukraine were concentrated in the provinces most directly affected by Russia’s intervention and the ensuing unrest. At the same time, China has felt a need to sustain good relations with the new pro-Western authorities in Kiev, in order to safeguard the substantial investments it has already made.⁴⁸

THE SPECTRE OF SEPARATISM

Whether or not the Ukraine crisis can provide a lasting impetus for deepening Sino-Russian cooperation depends on whether both countries’ shared interests will finally outweigh the deep-seated underlying problems that have plagued their bilateral relations for decades. Their strategic cooperation to date has been limited, as neither side wanted to be drawn into the other’s conflicts with Washington. Russia’s concern has mostly been with the expansion of NATO in Eastern Europe, a subject of relative disinterest to China. The greatest irritant for Beijing, meanwhile, has been Washington’s strategic pivot to the Asia-Pacific region, which in turn has been of little importance for Moscow. The Kremlin has not taken a stance on the East and South China Sea disputes, let alone publicly supported China’s position. It enjoys good political and economic relations with Beijing’s long-time rivals Vietnam and India. And all its partnership rhetoric notwithstanding, Russia ultimately has deep qualms about the growth of China’s power. Having long been eclipsed by their former junior partner, both in economic and in (conventional) military terms, the Russians have never fully set aside their suspicions that China might one day covet Russia’s sparsely populated but resource-rich Far Eastern borderlands.⁴⁹

One of the few factors and interests that have provided a dependable bond between China and Russia has been the increasing convergence of their regime types, as the Russian government has gradually embraced an authoritarian model of single-party governance not unlike (and partially inspired by) the Chinese one. One of China’s and Russia’s most potent motives for closely coordinating their positions on international affairs has been the two governments’ increasingly similar outlook on international events and the threats they could pose for domestic single-party rule. This is the context in which Beijing and Moscow have constantly affirmed the twin principles of non-interference in internal affairs and respect for state sovereignty, a process that began in the late 1990s with the dispute over Western

⁴⁷ Scimia, “China, Russia and the Ukrainian Divide”.

⁴⁸ Gregory Moore, “China’s Stake in the Ukraine Crisis”, *Diplomat*, 21 May 2014, <http://thediplomat.com/2014/05/chinas-stake-in-the-ukraine-crisis/>.

⁴⁹ Luke Harding, “Russia Fears Embrace of Giant Eastern Neighbour”, *Guardian*, 1 August 2009, <http://www.theguardian.com/world/2009/aug/02/china-russia-relationship>.

intervention in the Kosovo conflict. It continued in the debates about intervention in Iraq, Afghanistan, Sudan, Iran, Libya and Syria, as well as increasing Western condemnations of human rights violations and the curtailing of civil liberties in authoritarian states.

When the narrative of non-interference and the preservation of sovereignty first arose as a link between China and Russia in the 1990s, their overriding shared concern was a fear of separatism. In Moscow's case this was centred on Chechnya and the North Caucasus, as well as other Muslim-majority territories of the Russian Federation; in Beijing, it was focused on the restive western provinces Tibet and Xinjiang, as well as China's continued claims to the 'breakaway province' Taiwan. In recent years, however, Beijing's and Moscow's primary reason for opposing any form of foreign intervention and infringement on national sovereignty has not been separatism, but rather their concern that foreign interference might undermine the foundations of single-party rule. This has always been a concern for the Communist Party in China, and it increasingly became one for Vladimir Putin as well, as he oversaw Russia's gradual transition from a flawed but reasonably pluralist democracy into an autocracy centred on his person. Beginning in 2003, a series of 'colour revolutions' and uprisings against autocratic regimes showcased the growth of popular demands for democratisation. These developments have been observed with equally great apprehension in Beijing and in Moscow. Both China and Russia have sustained the narrative of non-interference and the preservation of sovereignty with great consistency, although it was heavily dented by Russia's war with Georgia in August 2008 and its support for the secession of two Georgian provinces, in blatant violation of the principle of state sovereignty. At the time, Russia's attempts to solicit support from China for its actions in Georgia proved fruitless. China, along with the fellow member states of the Shanghai Cooperation Organisation, stood firm in upholding the principle of state sovereignty and refused to endorse Russia's military action, much less recognise the independence of the newly declared countries.⁵⁰

In the case of Ukraine, Moscow's actions have been more drastic than in Georgia, culminating in the outright annexation of a territory the size of Belgium and the ongoing attempt to carve an equally large chunk of territory out of the east of the country. The Kremlin was unable to accept the popular ouster of a government that was not only pro-Russian in orientation, but had increasingly grown to resemble Putin's own regime in style and in substance. It is likely that Russia's intervention was in large part

⁵⁰ David Stern, "Security Group Refuses to Back Russia's Actions", *New York Times*, 28 August 2008, http://www.nytimes.com/2008/08/29/world/europe/29russia.html?pagewanted=all&_r=0. This is not to say that China itself hasn't, on occasion, shown a cavalier attitude towards the question of state sovereignty, as showcased in its longstanding support for separatist factions in neighbouring Burma.

designed to destabilise the new pro-Western government in Kiev or, at the very least, to signal that a prohibitively high price is to be paid for any decisive move away from the Russian fold.⁵¹

BEIJING'S RESPONSE TO THE CRISIS IN UKRAINE

From the onset, Beijing's official reaction to the events unfolding in Ukraine has been tortuously non-committal and equivocal. A strategic advisor to the Chinese government explained in March 2014 that 'we are going to lie low on this issue, wait and see how it plays out, and at the end we will be friends with everybody.'⁵² Following Russia's occupation of Crimea in late February 2014, Chinese officials made visible efforts not to make their criticism of Moscow too explicit. But in spite of numerous assertions by Russian government officials at the time that its actions enjoyed China's support, what little commentary there was from Chinese diplomats was guardedly critical of the violation of Ukraine's sovereignty.⁵³ China's foreign ministry spokesman Qin Gang stated on 2 March that 'it is China's longstanding position not to interfere in others' internal affairs. We respect the independence, sovereignty and territorial integrity of Ukraine'.⁵⁴ When queried at the regular press conference the following day if Beijing had offered diplomatic support to Moscow after the Russian Parliament voted to approve the use of force against Ukraine, Qin merely referred back to his previous statement.⁵⁵ China's Foreign Ministry repeated its perfunctory affirmation of 'respect' for the sovereignty and territorial integrity of Ukraine at several other press conferences.⁵⁶ Throughout March, Liu Jieyi, China's Permanent Representative to the United Nations, also made such statements in several of the Ukraine-related debates of the UN Security Council.⁵⁷ In the months that followed, however, references to Ukraine's sovereignty and

⁵¹ Robert Ortung and Christopher Walker, "Putin's Frozen Conflicts", *Foreign Policy*, 13 February 2015, <http://foreignpolicy.com/2015/02/13/putins-frozen-conflicts/>; Richard Balmforth and Thomas Grove, "Ukraine Peace Plan in Tatters, 'Frozen Conflict' Takes Shape", *Reuters*, 5 November 2014, <http://www.reuters.com/article/2014/11/05/us-ukraine-crisis-rebels-idUSKBN0IP0OB20141105>.

⁵² Jamil Anderlini, "Ukraine Standoff Puts China on the Spot", *Financial Times*, 12 March 2014, <http://www.ft.com/intl/cms/s/0/19d35e2a-a988-11e3-b87c-00144feab7de.html?siteedition=intl>.

⁵³ Lukas Alpert, "China Diverges from Russia Slightly on Ukraine Action", *Wall Street Journal*, 3 March 2014, <http://www.wsj.com/articles/SB10001424052702304815004579416771704060190>.

⁵⁴ "Foreign Ministry Spokesperson Qin Gang's Remarks on the Current Situation in Ukraine", *Chinese Foreign Ministry*, 2 March 2014, http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/t1133558.shtml.

⁵⁵ "Foreign Ministry Spokesperson Qin Gang's Regular Press Conference on March 3, 2014", *Chinese Foreign Ministry*, 4 March 2014, http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/t1133830.shtml.

⁵⁶ E.g. "Foreign Ministry Spokesperson Hong Lei's Regular Press Conference on March 17, 2014", *Chinese Foreign Ministry*, 17 March 2014, http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/t1138083.shtml.

⁵⁷ E.g. at Security Council sessions on 3 March, 13 March, 15 March, and 19 March; see "Meetings conducted by the Security Council in 2014", *Dag Hammarskjöld Library*, 2014, <http://www.un.org/en/sc/meetings/records/2014.shtml>.

territorial integrity became much rarer in Beijing's official comments on the situation in Ukraine. Instead, the official narrative shifted to give more prominence to Beijing's demand that all sides demonstrate 'full consideration of the legitimate rights, interests and aspirations of all regions and ethnic groups'.⁵⁸ This phrase, which appears in almost all subsequent official statements on the Ukraine crisis, can be read as implicit backing for the Russian position. Nonetheless, Chinese officials have so far refrained from recognising Crimea as a part of Russia, even when queried directly on the issue. What is more, already a few days after the overthrow of the Yanukovych government in Kiev, Chinese Foreign Ministry Spokeswoman Hua Chunying implicitly expressed Beijing's support for the new government (in spite of Moscow's insistence that it was an illegitimate regime of 'fascist' usurpers), stating that 'China does not interfere in Ukraine's internal affairs [and] respects the independent choice made by the Ukrainian people in keeping with Ukraine's national conditions'.⁵⁹ China's government also recognised the election of Petro Poroshenko as President of Ukraine on 25 May (although it sent its official message of congratulations with a conspicuous delay).⁶⁰ As during the Georgian crisis in 2008, China also failed to lend Russia its outright support in the United Nations, where Beijing and Moscow usually act in unison. On 15 March Beijing chose not to vote against a US-sponsored draft resolution on the Security Council to declare the secession referendum in Crimea illegal, opting instead to abstain. Likewise, on 27 March, when the UN General Assembly voted on a non-binding resolution to declare the secession referendum in Crimea invalid and refuse to recognise its annexation by Russia, China once again abstained.

Notwithstanding the reticence of Beijing's foreign policy officials, however, the major state-controlled Chinese media have for the most part been outspokenly supportive of Russia's claims in Ukraine. During the early stages of the Russian intervention in Crimea, various articles published by China's state news agency *Xinhua* attacked the West for supposedly having created the crisis in the first place by 'installing a so-called democratic and pro-Western Ukrainian government'. By contrast, 'when it comes to cleaning a mess the West created in the country's backyard, Russian leaders once again proved their credibility and shrewdness in planning and executing effective counter-moves'.⁶¹ *People's Daily*, an official newspaper of the Chinese Communist Party, ran several articles that expressed similarly damning criticism of the West's conduct in the Ukraine crisis while affirming that 'it is quite understandable when Putin said

⁵⁸ See e.g. "United Nations Security Council 7157th Meeting", *Dag Hammarskjöld Library*, 16 April 2014, http://www.un.org/en/ga/search/view_doc.asp?symbol=S/PV.7157.

⁵⁹ "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on February 24 2014", *Chinese Foreign Ministry*, 24 February 2014, http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/t1131653.shtml.

⁶⁰ "President Xi Jinping Congratulates Petro Poroshenko on His Election as President of Ukraine", *Chinese Foreign Ministry*, 4 June 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1162789.shtml.

⁶¹ Ming Jinwei, "Commentary: The West's Fiasco in Ukraine", *Xinhua*, 7 March 2014, http://news.xinhuanet.com/english/indepth/2014-03/07/c_133168143.htm.

his country retained the right to protect its interests and Russian-speakers living in Ukraine'.⁶² China's leading television news channels, such as China Central Television, featured prominent commentators proclaiming that the West's 'illegal actions' in Ukraine had made the situation more volatile.⁶³

Some of the most explicit endorsements of Russia's intervention in Ukraine were published by *Global Times*, a Communist Party-owned tabloid, which argued that 'backing Russia is in China's interests', since Moscow 'has been resisting the eastward trend of Western forces in Ukraine'. Various *Global Times* op-eds urged that China not 'disappoint Russia when it finds itself in a time of need'⁶⁴ and claimed that the blame for the turmoil in Ukraine lay squarely with the West, describing it as merely the latest episode in the West's history of foreign interference in the name of 'humanitarian intervention, regime change, and nation building.'⁶⁵ In one op-ed piece in *Global Times*, Yang Yucai, a professor at the PLA National Defence University, claimed that 'the Putin administration's high efficiency in managing the regional crisis is impressive' and 'sets [an] example of strong crisis management with [a] firm legal basis.'⁶⁶ Yang's colleague at the National Defence University, Senior Colonel Fang Bing, espoused very similar views in a lengthy interview in the July 2014 issue of *Ordnance Science and Technology*. Fang voiced no particular concern about setting a precedent for the breakup of a modern state. Instead, he expressed admiration for Putin's decisiveness and resolve. Fang also showed a pronounced interest in the detailed tactical and operational methods employed by the Russian forces in their takeover of Crimea, indicating that the Chinese military has studied these – as well as Russia's 'hybrid warfare' tactics in eastern Ukraine – with great interest.⁶⁷

Overall, to the extent that the major state-controlled Chinese media – including those that are generally regarded as the most reliable barometers of the prevalent opinion in central government circles – took any position on the crisis in Ukraine, they overwhelmingly sided with Russia and urged the government to adopt a sympathetic stance. Not least on account of the sympathetic media coverage, Pew Research Centre established in

⁶² Lu Yu, "Commentary: West Should Work With, Not Against, Russia in Handling Ukraine Crisis", *People's Daily*, 3 March 2014, <http://en.people.cn/90777/8552726.html>.

⁶³ Joel Wuthnow, "Will China Help Stabilize Ukraine?", *National Interest*, 4 March 2014, <http://nationalinterest.org/commentary/will-china-help-stabilize-ukraine-9989?page=show>.

⁶⁴ "Backing Russia is in China's Interests", *Global Times*, 5 March 2014, <http://www.globaltimes.cn/content/846263.shtml>.

⁶⁵ Yu Bin, "West's Concern for Ukraine Reflects Long-Standing Fears", *Global Times*, 17 March 2014, <http://www.globaltimes.cn/content/849055.shtml>.

⁶⁶ Yang Yucai, "Russia Sets Example of Strong Crisis Management with Firm Legal Basis", *Global Times*, 21 April 2014, <http://www.globaltimes.cn/content/855865.shtml>.

⁶⁷ Lyle Goldstein, "What Does China Really Think about the Ukraine Crisis?", *National Interest*, 4 September 2014, <http://nationalinterest.org/feature/what-does-china-really-think-about-the-ukraine-crisis-11196>.

mid-2014 that China was one of the few countries worldwide where popular support for Russia had increased since the onset of Moscow's confrontation with the West over Ukraine – rising to 66 percent in July, as opposed to 49 percent a year before.⁶⁸

Official Chinese government spokespeople have largely fallen silent on Ukraine. What little commentary there has been from the official Chinese foreign policy establishment has slowly tilted further in support of the Kremlin's position. In particular, Beijing repeatedly offered support to Russia in its opposition to the widening range of Western-imposed sanctions. Deputy Premier Zhang Gaoli reassured Putin in early September 'that the Chinese side is categorically against US and Western sanctions against Russia, against colour revolutions, and against attempts to restrain Russia's development'.⁶⁹

CHINA'S CONFLICTING CONCERNS

The ambivalence in China's official reaction to the Ukraine crisis reflects its concerns about the most problematic aspect of Moscow's actions in Ukraine – the blatant infringement of the country's sovereignty and the annexation of a part of its territory. If applied to China itself – where the central government is facing secessionist movements in Xinjiang and Tibet, as well as separatist currents in Hong Kong, whilst insisting that Taiwan remains part of China's sovereign territory – such a course of action would be considered intolerable. Unsurprisingly, according to *China Digital Times*, China's Central Propaganda Department explicitly instructed Chinese media reporting on the events in Crimea not to 'connect the story to our own country's issues with Taiwan, Tibet, or Xinjiang'.⁷⁰

What has caused Beijing particular distress is the explicitly humanitarian rationale Moscow provided for its intervention in Ukraine. In spite of the fact that the lives of Russian-speakers were at no point under any credible threat prior to Russia's intervention in Crimea, Moscow cloaked its invasion of the peninsula in the language of classic concepts of humanitarian intervention and the responsibility to protect⁷¹ – the very concepts that China and Russia had steadfastly opposed whenever they were employed by Western governments. Following the successful annexation of Crimea, Moscow used these arguments for its ongoing, undeclared intervention in eastern Ukraine, condemning the suffering of the civilian population which – although very real in this case – has been the result of a war that is largely of Russia's own making. What is more,

⁶⁸ "Russia's Global Image Negative Amid Crisis in Ukraine", Pew Research Center, 9 July 2014, <http://www.pewglobal.org/2014/07/09/russias-global-image-negative-amid-crisis-in-ukraine/>.

⁶⁹ Gorst, "China Winning from Russia-Ukraine Crisis".

⁷⁰ Anne Henochowicz, "Minitrue: Crimea Votes to Join Russia", *China Digital Times*, 17 March 2014, <http://chinadigitaltimes.net/2014/03/minitrue-crimea-votes-join-russia/>.

⁷¹ Timothy Garton Ash, "Putin's Deadly Doctrine", *New York Times*, 18 July 2014, http://www.nytimes.com/2014/07/20/opinion/sunday/protecting-russians-in-ukraine-has-deadly-consequences.html?_r=0.

the chosen legalistic method of annexation – the conduct of public referenda on the future status of Crimea and eastern Ukraine – is unacceptable to China.⁷² If the vogue of holding such plebiscites were to spread to China's own restive autonomous regions, their outcome would probably not be to Beijing's liking. In Taiwan, the polling record also clearly suggests that a referendum on the island's future would find a comfortable majority of the population rejecting unification with mainland China.⁷³

Given these circumstances, why has China's official reaction to Russia's violation of its Budapest Memorandum pledge to respect Ukraine's territorial integrity been limited to a few tight-lipped protestations by junior diplomats? As pointed out before, China, like Russia, sees great potential danger in any public protests that culminate in the ouster of governments. From Beijing's perspective, Ukraine was merely the latest iteration of the recent wave of 'colour revolutions', and it is one that Beijing, as much as Moscow, fears might lead to repercussions of even emulation at home. Hence, Beijing's irritation about Russia's blatant violations of the sovereignty principle has been offset by its even more profound opposition to the West's earlier solidarity with the Maidan movement and the regime change in Kiev.

The twin norms of sovereignty and non-interference have long proven highly convenient for the Chinese and Russian leaderships in pursuing their overriding policy imperative – to avert any threats to their domestic monopoly of power and any challenges to their mode of governance – for as long as they were employed as a means of preventing and delegitimising Western assistance to pro-democratic revolts and regime change. What distinguishes the Ukrainian case from recent instances of foreign intervention by Western states is the fact that Russia's military incursion and blatant breach of the sovereignty principle were orchestrated *in opposition* to a pro-Western popular uprising. China's government could not credibly endorse the former, but it also had every reason to loathe the latter – and to be quite content for Russia to have 'sent a message' to the West about preventing similar events in the future. The mass protests in Hong Kong in the autumn of 2014 were a manifestation of precisely the kind of scenario that has driven Beijing's response to the events in Ukraine.

Yet another factor that has contributed to China's reluctance to condemn Russia's intervention in Ukraine is Beijing's own renewed appetite for advancing territorial claims vis-à-vis its neighbours. To some extent this reflects China's growing international weight and its shifting approach to the global order during a period of ongoing domestic transition. As China's power and international influence have surged, many factions in the Chinese leadership have been increasingly willing to challenge the global status quo

⁷² Douglas Paal, "How Does the Ukraine Crisis Impact China?", *Carnegie Asia Programme*, 24 March 2014, <http://carnegieendowment.org/2014/03/24/how-does-ukraine-crisis-impact-china>.

⁷³ Chen Hui-Ping and Jake Chung, "Majority Reject Unification: TISR poll", *Taipei Times*, 23 February 2014, <http://www.taipeitimes.com/News/front/archives/2014/02/23/2003584139>.

that has benefitted the country for so long, demanding that the central government use its unprecedented power to assertively advance Chinese interests and to press territorial claims. Since 2009, China has begun to ‘create facts on the ground’ in disputed maritime territories – as manifested, for instance, by Beijing’s declaration of an ‘air defence identification zone’ covering the disputed Diaoyu/Senkaku islands in the East China Sea, or the continued deployment of paramilitary maritime surveillance vessels and fishing fleets in the South China Sea, amidst a considerable naval build-up.

Not least for this reason, the predominant sensation in Beijing regarding Moscow’s intervention in Ukraine has been different from what it was during Russia’s conflict with Georgia in 2008. Putin’s belligerent response to what many in the Russian government perceived as a constant Western encroachment on its spheres of influence has been well received by many in Beijing. Among the more hawkish factions within China’s governing elite, it has been appreciated as sending an implicit signal to Washington that a similarly hostile reaction might loom in East Asia if the US were to continue to encroach on China’s own perceived spheres of influence.

One line of argument emanating from Moscow to justify its land grab in Ukraine has been Russia’s purported historical, ethnic and cultural claims to Crimea and, less explicitly, to ‘Novorossiia’ (south-eastern Ukraine). Chinese policymakers are more than aware that invoking such historical claims and the irredentist motivation of redrawing borders along perceived ethnic lines could pose a severe threat to the stability of China’s volatile Western borderlands. At the same time, however, there has been some sympathy in China for Russia’s affirmation of ethno-historical arguments. Russia’s rationale for intervening in Crimea and ‘Novorossiia’ has resonated with a growing chorus of Chinese nationalists, who view the Russian tactics in taking over Crimea – acting quickly and decisively, presenting the world with a *fait accompli* – as an insightful template for a possible reintegration of Taiwan, or the numerous disputed islets in the East and South China Seas.⁷⁴ Vladimir Putin has long been idolised by Chinese nationalists who contrast his assertiveness with what they perceive as their own government’s reluctance to assume a more aggressive international stance commensurate with China’s growing power.⁷⁵

For the Chinese leadership, the Russian experience of how conducting a ‘patriotic’ military campaign at a time of impending economic stagnation (paired with a tightly controlled press) can lead to unprecedentedly high public approval ratings for the government has undoubtedly been instructive. Unsurprisingly, Japan’s Prime Minister Shinzo Abe warned at the G7 meeting in the Netherlands in late March 2014 that ‘what is happening in Crimea is not merely an issue for this region, but it could happen

⁷⁴ Andong Peng, “Ukraine – A Case for Chinese Involvement”, *Diplomat*, 10 March 2014, <http://thediplomat.com/2014/03/ukraine-a-case-for-chinese-involvement/>.

⁷⁵ Jeremy Page, “Why Russia’s President Is ‘Putin the Great’ in China”, *Wall Street Journal*, 1 October 2014, <http://www.wsj.com/articles/why-russias-president-is-putin-the-great-in-china-1412217002?tesla=y&mg=reno64-wsj>

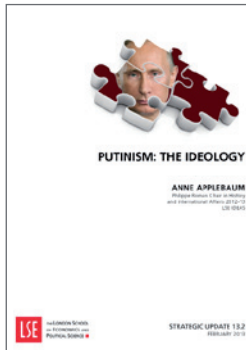
in Asia', and Daniel Russel, the US Assistant Secretary of State for East Asia, told the Senate Foreign Relations Committee that countries in Southeast Asia were worried that the Crimea model could serve as a precedent for China to obtain territories in the South China Sea by force and coercion. Russel said the retaliatory sanctions imposed on Russia by the US, the EU, and others should have a 'chilling effect on anyone in China who might contemplate the Crimea annexation as a model.'⁷⁶

Should Beijing indeed decide to mimic the tactics introduced by Russia in its own neighbourhood, however, this would likely lead to a head-on collision of Chinese and Russian interests. An explicit Chinese assertion of historical claims to neighbouring territories similar to those Putin invoked in respect of Ukraine would inevitably rekindle the not-so-dormant fears of Chinese expansionism in Russia's own Far Eastern borderlands, poisoning bilateral relations in the process. The most likely theatre for such a collision of interests to manifest itself is Central Asia, where Sino-Russian tensions have long been simmering under the surface.

CONCLUSION

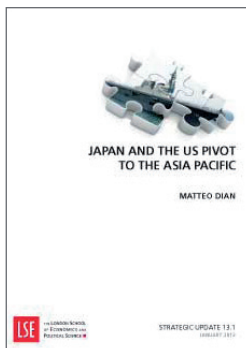
The crisis in Ukraine has propelled the bilateral ties between China and Russia to new heights. Through its belligerence in Ukraine, Moscow has manoeuvred itself into an impasse in its relations with the West that compels it to rely on Beijing to an unprecedented extent. But although Sino-Russian relations have improved significantly throughout the past two decades, Russia's sudden move to seek much closer integration with China derives from short-termist, tactical considerations, rather than a coherent, long-term strategy. Russia's novel isolation and its growing detachment from the West will likely render it continuously more dependent on China – without Beijing actually having to take a firm stance on the events in Ukraine. As a result of this, however, the bilateral relationship, which was volatile at the best of times, is becoming even more lopsided than before. Since the latest invigoration of Sino-Russian cooperation is born out of Russia's weakness and further exacerbates the existing imbalance between both states (which has long been an enormous concern for the Kremlin), bilateral relations are prone to remain unstable. ■

⁷⁶ David Brunnstrom, "U.S. Warns China Not to Try Crimea-Style Action in Asia", *Reuters*, 4 April 2014, <http://www.reuters.com/article/2014/04/04/us-usa-china-crimea-asia-idUSBREA322DA20140404>.



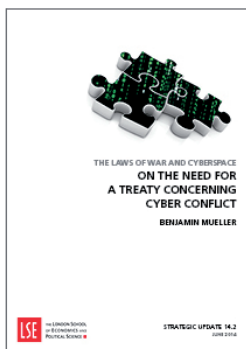
Back during the Cold War, when the politics of the Kremlin were opaque, journalists and analysts often became obsessed with the personality of the leader of Russia, speculating about his taste in whiskey or suits, tracking his wife's fashion sense or lack of it, hoping that would give them some clue about his policies. Times have changed, but the personality and beliefs of Vladimir Putin, the current Russian president, still matter just as much as those of his predecessors - if not more. In a state where authority is still vested in personalities, not in institutions, the Russian president's vision of his country, his understanding of its history, his training as a KGB officer and his personal experience of life in the Soviet Union now have an incalculable impact on Russian political life

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This paper analyses the consequences of the US pivot to Asia on the US-Japan alliance and on Japanese foreign and security policies. On the one hand, the US pivot is reassuring for Tokyo, since it seeks to 'rebalance' Chinese military ascendancy and to strengthen extended deterrence in the region. On the other hand, it contributes to the acceleration of the 'normalisation' of Japanese security policies, speeding the process of overcoming the institutional self-binding prescriptions that underpinned Japan's post-war pacifism.

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Cyberspace is a domain of warfare unlike all others: it is informational in nature, accessible without the need for spatial proximity, and acts as a global data and communication highway. These properties have given rise to patterns of continuous, low-intensity clandestine cyber conflict. The existing Laws of War, which apply to cyberspace as a matter of doctrine, are ill-equipped to deal with this. The community of states must negotiate a treaty on cyberwar, institutionalise cross-border law enforcement cooperation of cybercriminals, and place state-sponsored digital espionage within the World Trade Organisation's remit to arbitrate anti-competition disputes.

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BANKING ON BEIJING

WHAT THE UKRAINE CRISIS MEANS FOR THE FUTURE OF CHINA-RUSSIA RELATIONS



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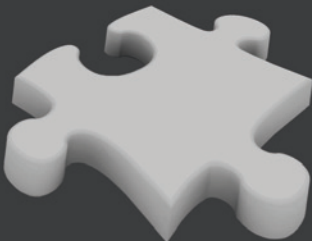
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The crisis in Ukraine has propelled China-Russia relations to new heights. Against the backdrop of the events in Eastern Europe, Beijing and Moscow have been able to initiate a number of bilateral economic, financial and energy projects that have promised an unprecedented degree of integration between the two countries. Most of these plans are unlikely to be fully implemented, but Russia's novel isolation has provided the impulse to open up various sectors of the Russian economy that were previously off limits to the Chinese. Moscow's move to seek much closer integration with Beijing derives from tactical considerations, rather than a coherent long-term strategy, and Russia's growing isolation from the West will likely render it continuously more dependent on China. Beijing's official reaction to the turmoil in Ukraine has been reticent and equivocal, but the major state-controlled Chinese media have been outspokenly supportive of Russia's claims. The apparent ambivalence in China's reaction to the Ukraine crisis reflects its concerns about the most problematic aspect of Moscow's actions there – the blatant infringement of Ukraine's sovereignty and the annexation of a part of its territory. But Beijing's irritation about Russia's blatant violations of the principles of sovereignty and non-interference was largely offset by its even more profound opposition to the pro-Western regime change in Kiev. Russia's actions in Ukraine have also resonated with nationalist factions in Beijing who have long argued for a greater assertiveness in advancing China's own territorial claims vis-à-vis its neighbours.