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Russia-Ukraine Crisis: Where Do We Go from Here?

Perspectives from Chinese Think Tanks

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Zhao Long, Wu Chunsi, Yu Xiang



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Editors' Message

In past 100 days, the conflict between Russia and Ukraine has garnered intense and sustained global attention. In this rare wave of surging public opinions, we have seen a great deal of interest from around the world in how China views this conflict. And some countries, frankly, still have quite a few doubts about China's views. At the same time, within China, there are widely divergent opinions about this conflict, as reflected in bandying arguments on social media platforms, each unable to convince the other side.

The report you are reading is the result of a joint effort by the Shanghai Institutes for International Studies (SIIS) and the Center for International Security and Strategy (CISS) at Tsinghua University. We have tried to examine the root causes, impacts and implications of the Russia-Ukraine conflict from the perspectives of international order, China-US relations, China-EU relations, China-Russia relations, arms control and world economy. As Beijing- and Shanghai-based think tanks on international studies, we hope to present diversified but balanced voices to the pertinent discussions in China, and to provide a Chinese voice to readers outside of China.

You will probably find, while the scholars' assessment of the conflict is on the whole sobering, we certainly do not shirk from our effort to find a way out and propose solutions to the best of our abilities.

We are in an era of great transformation. We believe each generation has their own challenges, and with it, their specific responsibilities. As think tank scholars, it is our responsibility and duty to keep a close watch on the dark cloud looming over the sky, while not giving up hope and pursuit for the silver line of the cloud.

陳東曉

迷霧

Crossing the Rubicon of International Order

BY DA WEI

Over two months after Russian President Vladimir Putin ordered a “special military operation” in eastern Ukraine on February 24, 2022, it is clear that the military progress on the Russian side is not going well. Ukraine’s resistance, backed by the West, has been extremely resilient. Up till now, the fighting has been going on for over 100 days, with the two warring sides still in an offensive and defensive stalemate. For how long will the war last? Will one side be completely defeated by the other? Will there be a spillover of the conflict? Will the situation undergo an escalation towards a third world war or even a nuclear war? Questions about this ongoing crisis can be listed in a long line, most of which no one can answer at this time. Yet among all the uncertainties, one thing is certain: what the Russian troops crossed on February 24 was not simply the land border between Russia and Ukraine, but rather more symbolically, the River Rubicon¹ of the post-cold war international order.

The Bright and Dark Sides of the Old Order

To begin with, let’s clarify what exactly we are discussing by sketching out a conceptual overview. An international order is a set of arrangements concerning the boundaries of state behavior in the international system. When states know of what they can and cannot do in the international system, of what behavior is more rewarding and what is by contrast more costly, and when they all accept this set of arrangements either by agreement or under coercion, we say that the world forms a relatively stable international order. In contemporary times, the international order is by and large set by international law, international rule, international norm, and not fair and justified of course, some imperious bullying of hegemonies over others. Another concept closely related to international rule is the international structure, which refers to the power dynamics

¹ In 49 B.C., Julius Caesar, the Roman consul over Gaul, was called back to Rome by the Senate. According to Roman law, any consul returning to Rome was forbidden to lead any army across the Rubicon, the river north of Rome, or else it would be considered treason. On January 10, Caesar led the Legio XIII Gemina across the Rubicon, and the Roman Civil War broke out. Caesar’s political opponent Pompey and some of the senators fled in haste. Thence the Roman Republic entered the age of the Empire.

between the major countries and their interactions, i.e. who is stronger and who is weaker, who is the friend of whom and who is the foe of whom. In this sense, the international structure is one of the main variables that defines the international rules.

With the end of the Cold War, for the first time in human history, a truly global international order has emerged that envelops almost every country on the planet. Like it or hate it, the fact is that the post-Cold War international order is a set of arrangements with neoliberalism as the ideological foundation, globalization as the propellant, the United Nations system and international law as the primary arbiters, but sometimes with the military supremacy and dollar hegemony of the United States to play the “world’s police”. That the United States is the sole superpower in the world is the structural basis underpinning the post-Cold War international order.

For many countries, this order has its benefits. By comparison, it was probably the most peaceful, open, and rule-based order in the history of humankind, with eased control across national borders and an unprecedented free flow of capital, technology, personnel and information around the world. Remained as the only superpower under this order, the United States not only leads the world with its economic dominance and science-tech superiority, but also often takes unchecked diplomatic and military actions as it pleases, with few countries able or willing to moderate such behaviors. Also under this order, China has enjoyed rapid economic growth, transforming from a poor, underdeveloped country to the world’s second largest economy over four decades.

There is, however, a dark side of this order for many countries. As to the developed states in the West, they have been challenged with twofold problems. The first issue is the growing gap between rich and poor and class conflicts within developed countries, given the weakened power of state and government alongside the substantial capital flow worldwide. For the first time in the last 500 years, it seems that national borders are no longer the primary criterion for wealth distribution on a global scale, instead class and stratification have taken over as the most important metrics. While in the past, a newborn child’s future economic status was likely to be determined by which country the child was born in; today though, the most important factor is who his or her parents are. The second issue concerns the rapid rise of non-Western countries as represented by China, a trend that, if continued, would likely shake the centuries-old hegemony of the West. Moreover, that the domestic institutions of these rising countries are quite different from those of the West makes the Western world deeply anxious and uneasy.

To countries like China and Russia, the main problem of this order is also twofold. For one thing, the principles of liberalism that this order proclaims purport not only inter-state free trade and international rule of law, but also, as assumed by the Western countries, this set of principles must as well permeate through the political life of all countries. Along this line, countries such as China and Russia, which have been labeled “illiberal” by the United States and the West, are not trusted as eligible builders of the international order, yet even have their political security at high risk the whole time. For another, the U.S. hegemony in foreign policy makes many non-Western countries very uncomfortable. Examples include the U.S.’s continued advancement on NATO’s eastward expansion, reinforcement of the Asia-Pacific alliance system, and arbitrary use of force in the Middle East, causing far more serious casualties than in Ukraine today. Russia’s sudden military operation on Ukraine can also be seen as a major outburst of its long-standing discontent with the United States.

How the Rubicon Was Crossed

The Russia-Ukraine war was not the one and only major blow to the post-Cold War international order. In other words, the River Rubicon was not crossed in one step. Nor was it Russia or

Vladimir Putin that first crossed the Rubicon. As a matter of fact, for the past six years, this order has been suffering a heavy blow every two years, like the Rubicon being crossed step by step.

In 2016, people in Britain decided to leave the European Union by referendum, and American voters chose Donald Trump as president of the United States. The signal thereof could not have been clearer. That is, the key builders and defenders of the post-Cold War international order have opted to turn their backs on the neoliberalism that has prevailed for the past four decades. The British wanted to rebuild the national borders that the European Union once removed; while Trump, who made his way to the White House under the banner of “America First”, is a super “wall builder”. These walls, in various forms and implications, include the physical walls erected on the U.S.-Mexico border, the walls of trade barriers between countries, the walls of racial divisions within the United States, and the walls of psychological distances among societies.

In 2018, the Trump administration launched rounds of trade and technology wars against China. Two of the world’s largest economies, once referred to by scholars as Chimerica, embarked on a long and painful process of divorce. Relations between the two countries began a free-fall, with public sentiment toward each other slipping to an all-time low. On the eastern side of the Eurasian continent, the great geopolitical divide plunged other countries unwilling to take sides into a dilemma.

In 2020, the post-Cold War international order suffered its third major blow. First reported in China, novel coronavirus swiftly took cities and regions, and soon swept the world. The pandemic inflicted enormous losses in human lives and economic well-being, with countries around the world being forced to close their doors to each other. For the vast majority of the world’s population, this was probably once-in-a-lifetime experience where the entire world came to a standstill. The post-Cold War international order, once featured as “open and free”, fell into complete shutdown.

Following the above ordeals when the world, be it the United States, Sino-U.S. relations, or global people-to-people contacts, could no longer possibly return to the past, Russia-Ukraine war gave the old international order a fourth dreadfully severe blow. What we are witnessing is the largest ground conflict in Europe since the end of World War II. While it is difficult to predict the final outcome of the war, Russia’s relations with the entire Western world have come to an irreparable breakdown. The geopolitical plates on the western side of Eurasia are undergoing a significantly profound breaking and shifting, Europe is drifting westward, with transatlantic ties growing ever closer. The NATO, once described by French President Emmanuel Macron as “brain dead”, is back to life and may take in new members. Russia is heading inevitably east and south, meanwhile China, India, South Africa and others abstained from voting on the UN General Assembly resolution condemning Russia’s “invasion”.

How We Roll the Dice

The Russia-Ukraine war has raised many concerns, as to whether the world is moving toward a confrontation between two camps, one camp being the U.S.-led West, while the other camp being China, Russia and a number of other small and medium-sized countries. If the international landscape were to literally evolve into two camps following the Russia-Ukraine war, it would signify the curtain-up of a second Cold War in human society. Much as World War II was quite different from World War I, the second Cold War would definitely differ from the first one. The two sides could still maintain a fair amount of interactions, for example, but at the end of the day, it is never a blessing for anyone to have two blocs of countries intensely confronting each other in a non-war form, as opposed to the vision of openness and cooperation we once shared.

As Russia is now basically locked into a position of hostility with the West, it depends largely on

the choices of the United States, Europe and China whether the world will be on the path to two blocs unfolding a new Cold War. Since the outbreak of the Russia-Ukraine war, the U.S. has been pulling its European allies more closely to its side in a common hardline policy towards Russia. On China, many in the U.S. have meant to “Russianize” China’s image, constantly tying China to Russia via unverifiable “intelligence”. U.S. officials have repeatedly claimed that China may have been informed before the war and could provide military assistance to Russia after the outbreak. By spreading such baseless and cost-free words, what the United States is doing is facilitating the formation of two blocs. This seems to be in line with the strategic intent of the U.S. government. Both administrations, from Trump to Biden, be it Republican or Democratic, share a Manichean worldview that portrays the world as a battle between “democracy” and “autocracy”, with the United States as leader of the former camp while China and Russia as symbols of the latter. But the U.S. policymakers also need to realize that pushing China and Russia to the position of enemies at the same time will result in serious strategic overdraft for themselves; tearing apart the otherwise interconnected world into two camps will also do great damage to the U.S. own interests. Using the hegemony of dollar to impose sanctions on other countries is practically undermining the dollar’s status as international trade and reserve currency. In addition, in the mid to long term, the unclear picture of where the U.S. domestic politics is heading will also cast great uncertainty on its external strategy.

As to Europe’s choice, given the PTSD (post-traumatic stress disorder) that it is still suffering, there seems to be very little room for Europe to maneuver, except for siding with the U.S. to assist Ukraine and defeat Russia. But in the mid to long term, a divided world of two camps will not serve Europe’s interests. First, Europe’s “strategic autonomy” will no longer be viable; second, unlike the acute geopolitical conflict between China and America, no geopolitical problems exist between China and Europe, so there is no need for Europe to confront China fiercely; third, Russia is, after all, a neighbor that Europe cannot move away from. Long-term tensions in Europe-Russia relations will not do Europe any good. Strategically in the medium and long term, the European countries are the key variables that determine the international structure. Whether Europe’s “strategic autonomy” can be truly achieved aside from the China-U.S.-Russia complexity, or Europe gets locked in a new dichotomy of confrontation in the shock waves of war, European leaders need to make a thoughtful and careful choice.

China’s choice, in turn, will probably matter most. Over the past 40 years, China has developed and emerged by connecting with the world, not by disconnecting from it. China certainly has no intention nor reason to sever this interconnectedness. However, the consistent U.S. suppression of China over the past few years has provoked widespread indignation at all levels of the Chinese public. Were China to be led by such sentiment, it should do whatever is detrimental to the United States. Yet the result of so doing would be an accelerated decoupling from the West, which would probably in the end do great harm to China’s cause of national rejuvenation. Therefore, on the road ahead, the one and only strategic yardstick that China can use is whether it is conducive to its own development and rejuvenation. Meanwhile, for Europe and China, choices over the international order should not have the only two, as if destined to choose one on the southern bank or the other on the northern bank of the Rubicon. Europe will of course long remain an ally of the United States, while China and Russia are also the most important neighbors and partners. Nonetheless, this does not mean that China, the United States, Europe and Russia have no other choices but only to form two diametrically opposed blocs, divided by the *Chu* River and the *Han* Border, a valley separated the two ancient Chinese regimes once fought side by side against Tyrannical *Qin* Dynasty².

When Julius Caesar led his army across the Rubicon more than 2,000 years ago, the great founder of the Roman Empire left his famous saying: “*alea iacta est*” or “the die is cast.” Indeed,

² The *Chu* River and the *Han* Border, is also literally referred to as the distinct middle line between two competing players on the Chinese chessboard.

the course of human history is at times like a spinning dice -- we cannot predict when it will stop and what face it will eventually take. But human history is not entirely fatalistic and agnostic. Decision-makers make their decisions in a given historical time and space, and these decisions, when colliding with each other, will constitute history. Therefore, as we ask ourselves where do we go from here and wonder, the choices of key figures are crucial. Over 2000 years after Julius Caesar, Albert Einstein the great physicist proclaimed that "God does not play dice with the universe." Yes, the Rubicon has been crossed, but it remains the responsibility of the countries and their leaders to choose each step forward with care.

The Last Boulder to Break the Camel's Back?

Implications of Russia-Ukraine Conflict for China-U.S. Relations

BY CHEN DONGXIAO

In the year prior to Russia's "special military operation" against Ukraine on February 24, 2022, there was already a "paradigm shift" in the interaction between the U.S. and China. The Biden administration has by and large inherited the containment policy from the Trump administration, with the difference being the former more focused on shaping an international environment that better facilitates the "containment of China," while at least putting a verbal emphasis on setting "guardrails" to prevent the derailment of strategic competition. Correspondingly, Beijing is increasingly convinced that China-U.S. relations have come to a strategic stalemate of competition and struggle. The dominant narrative on the Chinese side is that this strategic competition between the two countries reflects the struggles for power, institutions, and perceptions, which will last throughout the rejuvenation of the Chinese nation. In general, it is thus believed that competition and struggle have been adopted as key words for both Washington and Beijing in managing their relations.

The reality, however, seems more nuanced. On the one hand, in contrast to the occasional bickering between officials, leaders on both sides have continued to emphasize in their numbered dialogues the need to leave room for cooperation between China and the United States in addressing global issues, and each has expressed a will not to allow relations to slip into a "new cold war". On the other hand, the year 2022, China is fully engaged in preparing for the 20th National Congress of the Communist Party of China, and the U.S. is also faced with the more pressing political agenda of the midterm elections. Considering the domestic needs for economic stability on each side and the not-so-warm but more predictable interactions between the two policy teams as opposed to that in the Trump term, there are rising expectations for a relative stable China-U.S. relationship. To this end, China has clearly been more action-oriented than the U.S. side. Earlier this year, Beijing ceremoniously commemorated the 50th anniversary of the

Shanghai Communiqué, calling on Washington to revive the spirit of “seeking common ground while reserving differences” to guide the way forward in China-U.S. relations.

Nonetheless, the drastic escalation of the Russia-Ukraine crisis that led to a direct Russian military attack on Ukraine not only took Beijing by surprise, but the prolonged fighting and the ensuing danger of further exacerbation have certainly piled another boulder on the already difficult and fragile China-U.S. relationship, significantly adding complexities for Beijing to handle the bilateral relations with Washington.

Threefold Predicament

First, the Russia-Ukraine crisis has further intensified suspicion and hostility between China and the United States. On the one hand, Washington and Beijing have profound divergences over the origins of the conflict and the attribution of responsibility for it, which are in essence major discrepancies in their perspectives on the nature of current international order and its future development. Washington condemned Moscow for “waging a war of aggression” against Ukraine, which violated the UN Charter and basic norms of international relations, while accusing China of not publicly condemning Russia’s aggression. Beijing, in turn, stressed that the Russia-Ukraine crisis is not only complex in its historical context, but also that NATO’s incessant eastward expansion, regardless of Russia’s legitimate security concerns since the post-Cold War era, is a major cause of the current conflict, for which the U.S. and the West themselves are to blame. With unprecedented economic sanctions and diplomatic isolation on Russia, backed by the U.S. military assistance to Ukraine and the passage of a \$40 billion aid bill, senior officials in the Biden administration and bipartisan leaders in the U.S. Congress have expressed their determination to “weaken Russia” on all fronts. In this regard, China has pointed out that the United States and NATO are engaged in a “proxy war” with Russia, and that their real strategic goal is to exhaust Russia by perpetuating the war in Ukraine. Adding to the fact that senior White House officials have repeatedly indicated that the Russia-Ukraine conflict will not divert the U.S. presupposition on China as its primary strategic adversary, what the U.S. and the West want through this war, as Beijing sees it, is in fact to restore the weakened western leadership in the international order and to reverse the “East-rise, West-fall” trajectory of power dynamics that Beijing refers to.

On the other hand, that U.S. deliberately stepped up the hype about the “China-Russia axis” after the Russia-Ukraine conflict has added to Beijing’s growing strategic vigilance and antagonism toward Washington. In Beijing’s view, Washington and NATO leaders interpreted out of context the line “no forbidden areas for cooperation” in the February 4, 2022 Sino-Russian Joint Statement, in an attempt to substantiate the charge against China’s “complicity” in Russia’s military operation in Ukraine. After the U.S.-led West launched massive economic and financial sanctions against Russia, Washington also threatened China not to help Russia out or else it would face serious consequences. The U.S. House and Senate passed the so-called AXIS Act, which requires the State Department to submit regular reports to Congress on Sino-Russian cooperation and the so-called China’s assistance to Russia to escape the Western sanctions. In response, Beijing criticized such actions as “a thief crying ‘stop thief’,” arguing that the U.S. not only intends to utilize the Ukraine crisis to make war money, but also tries to use the “democracy against autocracy” rhetoric to form an international coalition against China and Russia. Since the outbreak of the Russia-Ukraine conflict, the U.S. has significantly accelerated its coordinated military alliance in Europe and the Asia-Pacific region, with China and Russia as its imaginary enemies. As Beijing points out, this “Asia-Pacific tended” and “globe-extended” NATO has demonstrated the U.S. strategic intention to launch a new Cold War by coercing containment of China and Russia on both fronts.

Meanwhile, the escalation of strategic hostility between the U.S. and Chinese governments over

the conflict has also led to greater antagonism between the two public. According to an April 28 survey by Pew Research, more than 90 percent of Americans interviewed believe that the partnership between Russia and China is a “serious problem,” while negative views of China have reached a “new high” of 82 percent. Correspondingly, the Russia-Ukraine conflict has also aroused widespread concern among the Chinese people. Although different perspectives exist on the causes and effects of the conflict, as the fighting continues to escalate, a majority of the Chinese public believes that the Russia-Ukraine conflict has evolved into a Western “proxy war” against Russia, and that the real objective of the U.S. and NATO is to sabotage both China and Russia.

Second, the Russia-Ukraine conflict has further worsened the overall economic situation, including the respective economic security of China and the United States, and has accelerated the decoupling of their science & tech collaboration as well as the bifurcation of key industrial chains. For one thing, the conflict, combined with the fractured pandemic recovery and high inflation, has exacerbated the energy and food crises, adding to the already fragile and unbalanced post-pandemic world economic situation, with the two leading economies, China and the U.S. seriously affected. Price spiral of commodities sets the U.S. Federal Reserve in a dilemma between the policy options of curbing high inflation and preventing recession. A number of international agencies have issued warnings of stagflation or even another economic crisis in the United States. For the Chinese economy, the war between Russia and Ukraine as well as the unprecedented scale of sanctions and collateral sanctions by the U.S.-led West on Russia have directly blocked Chinese investment and economic and trade exchanges with Ukraine and restricted China’s normal trade and investment projects with Russia prior to the war. Moreover, China is accelerating the diversification of its food import in recent years, especially increasing imports of food crops and agricultural materials such as fertilizers from Russia and Ukraine to enhance food security. The impact of the conflict and its derivative effects on the supply chain of food and fertilizers, overlaid with the negative impact of extreme weather on domestic food production, has further raised China’s food security risks.

For another, the Russia-Ukraine conflict has not only accelerated the decoupling between the U.S. and China in technology and key industrial chains, but has also had a considerable impact on the Sino-U.S. cooperation in the financial sector. Beijing is particularly concerned about two steps that the U.S. is taking. One is the Senate’s America COMPETES Act of 2022, marking a fast-track push by the U.S. legislative branch to decouple technology and key industrial chains with China. The second is President Biden’s May 23 announcement of the formal launch of the Indo-Pacific Economic Framework (IPEF), marking an accelerated build-up of the U.S. alliance to “decouple key supply chains” from China. For Beijing, the Russia-Ukraine conflict has not only exerted further pressure on decoupling, but the unprecedented U.S.-led financial war against Russia, including the freezing of more than \$300 billion Russian foreign exchange assets, has also made Beijing increasingly aware of the importance and urgency of comprehensive prevention and countermeasures against the potential “financial war” in the future. How to comprehensively improve the defensive and offensive capabilities of China’s “financial weapons” in the fight against the U.S. has become an important task that the Chinese government needs to vigorously plan and build. This, as a matter of fact, also indicates that the trend of “decoupling” of economic relations between China and the United States is expanding from the real economy, such as technology and key industrial chains, to the virtual economy, represented by finance and banking.

Third, the alarm of escalating tensions in the Taiwan Strait has been sounded time and again. On the one hand, long before the Russia-Ukraine conflict, the Biden administration had inherited its predecessor’s strategy of “containing China with the Taiwan issue”, i.e., within the policy framework of long-term competition with China, Washington had significantly elevated the political, economic and security significance of Taiwan in the U.S. global and regional strategy.

By means of such, the U.S. government's "One China Policy" has been continuously hollowed out. Two major regressions by the Biden administration on Taiwan issue have caused great vigilance and dissatisfaction on the part of China. One is that Biden has basically inherited the major adjustments to Taiwan policy from his predecessor, and has explicitly placed the Taiwan Relations Act and the Six Assurances in parallel with the three U.S.-China Joint Communiqués as the legal and political basis for dealing with the Taiwan issue and cross-Strait relations. This will greatly enhance the political and strategic significance of the U.S. relations with Taiwan. Another is that the Biden administration continues to intentionally confuse the positioning of the mainland and Taiwan under the U.S. "One China Policy". Washington's frequent threats to pressure "Taiwan's diplomatic states" who want to establish official diplomatic relations with Beijing have been perceived by Beijing as serious provocative moves in support of the "One China, One Taiwan" policy being actively pursued by Taiwan's DPP authorities. In Beijing's view, the U.S.'s increasingly hollowed "One China Policy" no longer shares much in substance with China's "One China Principle", hence the then cornerstone of normalization of China-U.S. relations has been severely eroded. Not only is the U.S. government increasingly hollowing out its "One China policy", but it is also de facto deterring mainland China from unifying Taiwan by enhancing the U.S. political, military and economic cooperation with the Island. And for this reason, whether the timetable of peaceful reunification still remains in China's hands has become a hot-button issue in China. As a consequence, such Beijing's perception of U.S.-Taiwan relations is bound to shape the policy direction of the Chinese government and the timing awareness of the general public toward the Taiwan issue.

On the other hand, the U.S. government's cross-Strait policy has shifted to a more "strategic clarity" since the Russia-Ukraine conflict, making it more difficult for China and the United States to effectively manage the Taiwan issue. Although there have been debates in recent years about whether to abandon the "strategic ambiguity" in Taiwan Strait policy, it has generally been confined to the circle of think-tank experts, and the U.S. government has remained cautious about whether to intervene militarily in the event of a Taiwan Strait incident. Yet after the outbreak of the conflict, not only have Washington think-tank experts intensively discussed in high profile the so-called "impact of the Russia-Ukraine conflict on the Taiwan Strait," but the U.S. government and Congress have also signaled warnings about the prospect and consequences of a so-called "potential military attack" on Taiwan by Beijing. For instance, the U.S. Assistant to the President for National Security Affairs Jake Sullivan said China would learn from Russia's war in Ukraine to prepare for a future "invasion" of Taiwan, and reiterated the U.S. security commitment to Taiwan. U.S. Treasury Secretary Yellen threatened to impose sanctions on Beijing similar to those on Russia if mainland China used force against Taiwan. From the American perspective, the all-round isolation and sanctions against Russia and solidarity of the U.S.-led West to assist Ukraine in its "protracted war" against "invasion" will not only weaken Russia, but also add to the deterrent effect on Beijing's so-called "armed reunification with Taiwan". The most notable was Biden's public declaration during his visit to Japan on May 23 that the U.S. military would help defend Taiwan in the event of a war in the Taiwan Strait. Although the White House and Biden himself later expressed no change in U.S. policy toward Taiwan, Beijing's trust in the administration's Taiwan policy, including Biden's own, has fallen to a new low. At the same time, many think-tank experts in Washington have unabashedly encouraged Taiwan to learn more from Ukraine's "asymmetric" and "flexible" military strategy against Russia to counter the mainland in conflict scenarios. In addition, Washington has encouraged allies such as Japan and Australia to pressure Beijing on the Taiwan issue by strengthening military alliances in the Asia-Pacific region. From China's perspective, Washington deliberately equating Ukraine, a sovereign state, with Taiwan, an entity with no sovereign status, exposes the U.S.'s hypocrisy of so-called "not supporting the Taiwan independence", which is actually paving the way in legal terms, for future interference in China's unification process. Also, the U.S. government's latest policy pronouncements or threats to China on the Taiwan Strait after the Russia-Ukraine conflict are further evidence of the escalating intensity of U.S. efforts to "contain China with the Taiwan

issue” and further clarification of its policy to prevent cross-strait reunification even at the stake of military intervention. With Beijing’s growing dissatisfaction and distrust of Washington on Taiwan-related issues, coupled with the current weak functioning mechanism of dialogue and exchange between the two sides, uncertainty and the risk of crisis around the Taiwan Strait will continue to rise in the future, which is bound to seriously affect Sino-U.S. relations and even global peace and stability.

Two Lessons Learned

The Russia-Ukraine military conflict is another watershed event in the three decades since the end of the Cold War, in terms of the international security order, the major power dynamics and world economic development. In this time of turmoil and uncertainty, it is particularly important for deep reflection. For China-U.S. relations, the lessons and implications behind the Russia-Ukraine conflict are manifold, two of which are of utmost significance.

First, security dilemmas among great powers must be managed prudently. In general, unless there is an alliance, security dilemmas between major powers are the usual case, which can only be managed not removed. Numerous cases in history show that the way to effectively mitigate security dilemmas between major powers calls for, in the first place, regular strategic communications and confidence-building measures to prevent mutual stereotypes from solidifying respective dynamic perceptions of their adversaries, thereby constantly enhancing understandings of each other’s strategic intentions. Meanwhile, the major powers should be highly sensitive to each other’s core security interests, and prevent the escalation or even loss of control of the security dilemma due to continuous “sausage slicing” on each other’s core interests. The security dilemma theory also emphasizes the need to manage the stimulus of domestic politics and ideologies, especially to prevent the intensification of strategic hostility and confrontation among major powers, i.e. speculating on “foreign enemies” in order to relieve domestic pressure and transfer various domestic problems.

These theoretical summaries come from the recurring tragedies in history of the evolution and even aggravation of great power security dilemmas. The U.S.-Soviet Cold War that broke out after WWII was closely related to the failure to manage the security dilemma between the two big powers. On account of differences in security cultures and historical experiences, for example, the U.S. and the Soviet Union had difficulty understanding the complex reasons for each other’s security policies, and the so-called defensive security actions taken by both sides constantly provoked anxiety and escalated reactions from the other side. This security dilemma has been further amplified by two factors in the process of its continuous intensification. One is the attribution of ideological and even ethnic identity to the other side’s strategic intentions, such as George Kennan’s long telegram, which typified the U.S. perception of the Soviet Union at the time. Another important factor was that the domestic politics of both countries further exacerbated the mutual security dilemma. The nature of the U.S. political system, the check and balance of power, and the role of interest groups encouraged U.S. leaders to exaggerate the dangers from abroad and to use them to enhance their power at home. Similarly, the Soviet Union’s ideological interpretation of U.S. behavior and the Soviet hierarchy’s strong desire to control Eastern Europe escalated the inherent security dilemma between the two powers into a series of security confrontations that led to a full-blown Cold War.

Today, the conflict between Russia and Ukraine has finally erupted into a military showdown, bringing severe impact on European security and stability of the international order. While there are certainly complex historical origins and realistic entanglements of security interests behind it, it also reveals the failure of managing the long-term security dilemma between Russia vs. the U.S. and NATO that back the current Ukrainian government. Many U.S. strategists and former senior officials, including Kennan, Kissinger and Gates, have all recognized that NATO’s

continued eastward expansion after the Cold War, renegeing on its promises, has seriously stimulated Russia's hostility. The U.S. and West's long-standing zero-sum game mentality toward Russia, deep-rooted stereotypical enemy intent, and the need to serve domestic political agendas have ultimately led to a dramatic escalation of the West's security dilemma with Russia, adding fuel to the fire of catastrophic consequences. Similarly, China and the United States should learn from the historical and on-site tragedies and work together to manage the increasingly serious security dilemma between the two countries.

Second, every effort must be made to prevent a new type of hybrid war between the major powers, before it gets out of hand. The Russia-Ukraine conflict has not only evolved into a "proxy war" between the U.S.-led West and Russia, but also a new type of hybrid war in the 21st century that combines warfare on multiple fronts, including military, intelligence, financial, cognitive, and diplomatic wars. This new hybrid war has many similarities to traditional military conflicts, in terms of the large number of military and civilian casualties and property losses, but the biggest difference is the increased risk of unpredictable escalation in both horizontal and vertical ways. This unpredictability manifests itself in at least three aspects.

One is that the economic impact of a new hybrid war can quickly extend beyond the geographic scope of traditional warfare, causing an economic crisis on a global scale. According to studies by UN agencies, the Russia-Ukraine military conflict, especially the U.S. and the West's mega economic war against Russia, has caused severe energy and food shortages and a crushing debt crisis to rapidly hit the vast number of developing and emerging economies, exposing them to the double hardship of a difficult post-pandemic recovery and the Russia-Ukraine conflict. Unlike traditional military conflicts, the risk of economic damage to the world from this new hybrid war has risen sharply.

Two is that the "weaponization" and abuse of financial tools increase the risk of escalation of traditional military conflicts. Just as the U.S. and Western governments relish the serious impact of super-economic sanctions against Russia, its damage to economy, society and the Russian public did go far beyond financial spheres. And just because such damages are not as visually bloody as the human casualties and cities ruins caused by war, those who impose the mega sanctions often do not have much psychological burden, thus leading to the misuse and perpetuation of financial weapons. For the victims suffering from such super financial weapons, is it simply a matter of fighting back with economic means in kind, or is it a matter of fully escalating the military conflict to counter the mega damage? If one side of the war believes that its adversary's financial warfare has caused irreversible damage to its core security interests, it may significantly increase its incentive to escalate the war massively to force its adversary to back off.

Three is the ghost of nuclear war hanging over Europe again. Let's not forget that behind the Russia-Ukraine conflict is a battle between the world's two largest nuclear forces. With the Biden administration sending a clear signal to "permanently weaken Russia" through the war, the U.S. has significantly elevated the position of Ukraine in the U.S. global strategy. Does this reaffirm the Putin administration's belief that Russia's battle with the U.S. and the West in Ukraine is a "life-or-death" struggle for Russia? The Russian side has also signaled once again that if NATO and the U.S.-led West's involvement in the war causes a strategic cost that Russia cannot afford, Russia will not hesitate to strike back with lethal weapons, which means that NATO as a whole will face another "Cuban missile crisis" and the resulting danger of a "nuclear war".

2,500 years ago, the ancient Chinese strategist Sun Tzu pointed out that "the art of war is of vital importance to the State. It is a matter of life and death, a road either to safety or to ruin. Hence it is a subject of inquiry which can on no account be neglected." Similarly, no matter how much warfare changes, we must always be conscious of its fundamental life-and-death

ramifications on nation and people. Along this line, for Chinese and U.S. policymakers, maintaining the stability of Sino-U.S. relations, managing responsibly the competition between the two countries, and preventing it from getting out of control or even falling into confrontation or military conflict are matters of national & global importance, which can on no account be neglected. Especially for those in the U.S. who are currently relishing the effects of a new type of hybrid war, the Russia-Ukraine conflict does have some sobering takeaways for serious consideration.

Can China and the EU Work together amidst Difficulties?

Implications of Russia-Ukraine Conflict for China-EU Relations

BY CUI HONGJIAN

As a geopolitical confrontation with global implications in the European region, the Russia-Ukraine conflict has an important and complex impact on China-EU relations. First, due to the different perceptions of the nature of the Russia-Ukraine conflict and related interests, there are differences in positions and discrepancies in mutual expectations between China and Europe, with political mutual trust being put to the test. Second, the Russia-Ukraine conflict along with the sanctions and counter-sanctions struggle between the West and Russia have exposed the fragility of the current international economic, energy and supply chain system, causing continuous damage to the foundation of economic globalization, thereby also eroding the economic cornerstone for China-EU cooperation. Finally, as the major powers of the US, Russia and Europe are involved in the conflict in different ways and to varying degrees, a highly complex pattern of major power relations has emerged, exacerbating instability in the transforming period of the international order and putting Sino-European relations under greater strategic pressure. Although the Russia-Ukraine conflict has become an uncertain factor in China-EU relations, an early resolution of the conflict in a peaceful manner, avoiding humanitarian crises, reducing economic and livelihood losses and maintaining the stability of the international landscape is in the common interest of the international community, including that of China and Europe, and should be the direction of joint efforts by both sides.

Political Mutual Trust under Test

Needless to say, China and Europe have different perceptions of the causes and nature of the Russia-Ukraine conflict and have accordingly adopted different positions. In the European view, the irreconcilable contradiction between Russia's self-positioning as a great power (empire) seeking a “sphere of influence” and the preference of small and medium-sized countries for

collective security protection has become the source of the Russia-Ukraine conflict. Most European countries emphasize the “defensive nature” of NATO and do not accept Russia's claim that it has “the right to fight back against the expansion of NATO's security space” and therefore consider the nature of the conflict as “Russian military aggression against Ukraine”. In contrast, the Chinese side mainly sees the cause and nature of the conflict through the lens of regional security architecture, and believes that the essence of the conflict is the use of NATO and Ukraine by the United States as a tool to confront Russia, which has led to a strong Russian backlash. In essence, it is a serious consequence of the regional security rivalry between major powers. Therefore, China holds that the security concerns of Russia and Ukraine are equally important and should be equally respected and treated, and expects European countries to play the role of regional security protagonists, not only to take measures that help cease the war, but also to establish a balanced, effective and sustainable regional security architecture to avoid the recurrence of conflicts and achieve long-term peace and security.

Since the Russia-Ukraine conflict is taking place on Europe's “doorstep” and China is not a direct party involved, it is not surprising that the two sides have diverging perceptions and positions on the conflict. However, Europe, influenced by preconceived notions and U.S. intentions, has made some unrealistic demands on the Chinese side, including open condemnation and participation in sanctions against Russia, and further proposed to “link” China's stance with China-EU relations. Against the backdrop of the wide gap in positions, the recent meeting between the Chinese and European leaders showed that the expectations and concerns of the two sides are not in sync. Although both sides cherish the hard-won opportunities for communication, the different perceptions and positions on the Russia-Ukraine conflict have become a new obstacle to the advancement of bilateral cooperation between China and Europe. The decline in political mutual trust between China and Europe since the outbreak of Covid-19 pandemic has not been significantly improved.

Economic and Trade Cooperation Affected

As the most serious geopolitical crisis since the end of World War II, Russia-Ukraine conflict has continued to impact on the world order and international rules, with incalculable consequences and losses. In two months' time, the conflict and the sanctions and counter-sanctions between the West and Russia have seriously affected the world economy, trade and energy stability. According to international agencies, economic growth in the EU is expected to fall by more than 2 percent in 2022, and the impact on China's economy is also reflected in stock market shocks, shrinking assets and lower growth expectations.

The impact on China-Europe trade and economic cooperation is more complex. On the one hand, Europe has threatened to “punish” China with trade measures if China “provides military support to Russia or helps Russia to circumvent sanctions”. On the other hand, based on excessive speculation on China-Russia ties, European public opinion is re-hyping the idea of “getting rid of over-dependence on the Chinese market to maintain supply chain security”, which has been in the air since the epidemic. To satisfy the narrow-minded “demand” of some conservative forces in Europe and to achieve “strategic autonomy”, the trend of politicization and securitization of China-Europe trade and economy has further enhanced, and the economic and trade base for China-Europe relations, the common interests of interdependence and the policy path of pragmatic cooperation have been affected.

Strategic Mutual Trust under Pressure

Major powers such as the U.S., Russia and Europe are involved in the Russia-Ukraine conflict in different ways and to different degrees. The interaction among major powers is highly complex,

with signs of a new round of groupings. From the current situation, the competitive pattern between China and the US remains unchanged; the China-Russia partnership is solid; the confrontation between the US and Russia is intensifying; Europe and Russia are moving towards confrontation; and the coordination between the US and Europe is strengthening, while the Sino-European relations have become the main pressure-bearers of the changes in the relations between these pairs of major powers. The Sino-European strategic mutual trust, which has traditionally been based on jointly upholding multilateralism and advocating peaceful ways of conflict resolution, is under the pressure of bloc confrontation and power politics, and the space for managing Sino-European relations becomes limited with increased variables in bilateral ties.

In pursuit of its own strategic goals, the U.S. is taking advantage of the Russia-Ukraine conflict to mobilize Europe, not only to forge a common front against Russia, but also to strengthen policy coordination with Europe on China by rendering the “China-Russia alliance”. In the name of “preserving a rule-based order”, the U.S. is using bilateral mechanisms such as the U.S.-EU Dialogue on China and Indo-Pacific strategy, as well as the NATO framework, not only to unify ideas but also to coordinate actions. By hyping the “China-Russia bloc” and drawing an analogy between Ukraine and Taiwan, the U.S. not only deliberately “helps” Europe to intensify conceptual and institutional confrontation with China, but also encourages Europe to “actively” intervene in Asia-Pacific affairs and to provide support and assistance for America's strategy toward China in China's neighborhood. In so doing, the U.S. instigation and some voices within Europe are resonating in the same frequency and are transferring fear and hostility toward Russia to China. Nonetheless, China who decides her position based on own perception of the nature of the conflict and assessment on major power relations, will not yield to U.S. pressure and can hardly sway between Europe and Russia, hence the strategic pressure on China-Europe relations continues to rise.

China and Europe Can Make A Difference

Given the aforementioned difficulties of the Russia-Ukraine conflict on China-EU relations, it is not that China and Europe cannot make a difference.

First of all, the positions of China and Europe, despite their differences, also share common grounds. China sincerely empathizes with Europe and deeply deplores the costs and losses it has suffered. Not only is war reigniting on Europe's “doorstep,” but it could also escalate and spread to other countries, ending the state of peace in Europe since the end of the Cold War. As China has been ravaged by wars in history and is currently facing huge security risks brought about by power politics, it should be a common goal for China and Europe to cease war and resolve conflicts through diplomatic means, build mutual trust using political tools as soon as possible, try to reach reconciliation and rebuild a security architecture for lasting peace. In such endeavor, the leaders of China and Europe have made several calls on the Russia-Ukraine conflict, which has become an important component of the international community's efforts to facilitate peace and talks.

Second, both China and Europe are committed to avoiding and mitigating the humanitarian crisis caused by the conflict. With the conflict lasting for more than 100 days, a large number of Ukrainian civilians have been killed and injured and more than 7 million refugees have been uprooted from their homes. This has exerted tremendous economic, financial, political and social risks for Europe, and has also put enormous humanitarian pressure on the international community. Considering humanitarian assistance as a priority as important as peace talks, China takes actions to provide humanitarian assistance to Ukraine in terms of material supplies, but also offers financial support to Ukraine's neighboring countries receiving refugees. In addition to strengthening cooperation within the framework of the United Nations and the International Federation of the Red Cross, China and Europe can put humanitarian assistance on the bilateral

agenda and make it a priority for cooperation.

Third, both China and Europe want to reduce the spillover effects of the conflict and avoid excessive impact on their respective economies, energy and supply chain security. China and Europe are each other's largest trading partners, with close cooperation in investment, industry and supply chain, and have shown strong resilience to withstand the hardships of the pandemic. Despite Europe's involvement in the sanctions against Russia, the close economic and trade ties between Europe and Russia, especially the huge energy interdependence, have not only made the sanctions ineffective, but also led to a series of serious consequences in Europe such as inflation, energy tensions and resource shortages. The multiple losses of sanctions on Europe, Russia and the world economy are becoming increasingly visible. Based on the consistent position of opposing unilateral sanctions and maintaining the stability of world economy, China hopes that the European side will consider the consequences of sanctions with calmness and stop abusing them, and that both sides will share the common concern of promoting the recovery of world economy and ensuring the security of energy and supply chain, and should start practical cooperation in this regard.

Finally, the impact of the Russia-Ukraine conflict is converging with the game of great powers, greatly weakening the international rules and global governance with the United Nations as the core, thus China and Europe, which share the consensus on multilateralism, will both suffer greatly. The Russia-Ukraine conflict has caused a serious rift in the international community, with a rising deficit of mutual trust among major powers and over-spilt geopolitical conflicts. As the “two major forces” sharing the belief in regional and world peace, China-EU relations should go beyond economic and trade cooperation and cultivate new areas of collaboration in international crisis management and global governance, by enhancing strategic mutual trust. From diverse positions but with clear common interests, China and Europe can work together on mitigating the current Russia-Ukraine conflict and rebuilding peace in the future. This can be an important starting point for value-added cooperation between China and Europe.

Time for Reinforcement of the Independent Value and Constructive Synergy

Implications of Russia-Ukraine Conflict for China-Russia Relations

BY ZHAO LONG

In recent years, Sino-Russian relations have become a model of great power relations with high degree of mutual trust, high level of collaboration and high strategic value. After the outbreak of the Russia-Ukraine conflict, the assessment of the challenges for China-Russia relations in the external environment, the understanding of the conflict's role in reshaping China-Russia relations, and the examination of the prospects of China-Russia relations have been critical in the analysis of how the Russia-Ukraine conflict will impact the game of great powers.

A “Stress Test” In the Context of Russia-Ukraine Conflict

In the wake of Russia-Ukraine conflict, although the international system is still steps away from the brink of total collapse, it is an inevitable trend that the international system becomes increasingly vulnerable and fragmented. Recently, Russia was suspended from its seat on the UN Human Rights Council, and more are calling for its expulsion from the WTO, and the G20¹. In

¹ Andrea Shalal and Marek Strzelecki, “Russia's G20 Membership under Fire from U.S., Western Allies,” *Reuters*, March 23, 2022, <https://www.reuters.com/world/europe/poland-pushes-call-russia-be-excluded-g20-2022-03-22/>.

addition, the prevailing narrative of “democracy/autocracy” dichotomy² and depiction of China and Russia as an “axis of revisionists”³ indicate that the international order might be divided into two blocs according to security concepts and values. In this context, Russia might have weaker voice in global agenda-setting and multilateral affairs.

Due to the interplay between COVID-19 pandemic and the Russia-Ukraine conflict, the dividends of inclusive globalization are fading away. Finance, technology and energy are being weaponized. The transformation of international industrial, supply, and value chains attaches more significance to security. Countries are building “firewalls” to protect their own trade and industry. Thus, the Beijing-Moscow consensus—jointly defending the UN-centered international system and the international order underpinned by international law, so as to safeguard true multilateralism—is facing unprecedented pressure and institutional costs.

A Complex of Opportunities and Risks

In terms of opportunities, Russia may have no choice but to rely more on Sino-Russian partnership to get out of political isolation, economic sanctions and technological blockade, and become more dependent on China in energy, science and technology, investment and finance. China's market, capital, technology and talents may fill the vacuum caused by the “decoupling” of the US and Europe from Russia.

Meanwhile, the prolonged Russia-Ukraine conflict has given the US, Europe, Japan and other countries more space to impose sanctions, which has severely impacted Russia's economic development, financial market and investment environment. Western sanctions including the “financial nuclear bomb” such as the exclusion of several Russian banks from the SWIFT system, as well as Russian countermeasures including delisting Russian companies from foreign stock markets⁴ and demanding payments in rubles for Russian gas in an attempt to break the hegemony of “petrodollar”⁵, will increase the external risks of deepening practical cooperation between China and Russia.

Chinese enterprises or individuals doing business with Russian counterparts will be at the risk of “secondary sanctions”, such as being added to the US Specially Designated Nationals and Blocked Persons List (SDN); they also face obstacles in project contracting, cross-border investment and trade settlement in Russia. China-Europe freight trains, which run through Russia and Belarus, may have to be curtailed. Energy and high-tech cooperation with Russia is under “long-arm jurisdiction”.

Strategic Recalibration and Diplomatic Re-Coordination

For Russia, the Ukraine crisis marks a significant ideological and ethical “watershed” between Russia and the EU.⁶ As the EU is resolved to terminate EU dependence on Russian fossil fuels

² Anne Applebaum, “There is No Liberal World Order, Unless Democracies Defend Themselves, the Forces of Autocracy will Destroy Them,” *The Atlantic*, March 31, 2022, <https://www.theatlantic.com/magazine/archive/2022/05/autocracy-could-destroy-democracy-russia-ukraine/629363/>.

³ Angela Stent, “Russia and China: Axis of Revisionists?” Brookings, February 2020, <https://www.brookings.edu/research/russia-and-china-axis-of-revisionists/>.

⁴ Ksenia Galouchko, “Russian Lawmakers to Ban Stock Listings on Foreign Exchanges,” *Bloomberg*, April 6, 2022, <https://www.bloomberqint.com/politics/russian-lawmakers-to-ban-stock-listings-on-foreign-exchanges>.

⁵ “Putin Orders to Supply Gas to Unfriendly Countries for Rubles Only,” *TASS*, March 23, 2022, https://tass.com/economy/1426397?utm_source=google.com.hk&utm_medium=organic&utm_campaign=google.com.hk&utm_referrer=google.com.hk.

⁶ Фёдор Лукьянов, Между Россией и ЕС прокладывается серьёзный водораздел, 04.04.2022, Россия в глобальной политике, <https://globalaffairs.ru/articles/mezhdu-rossiej-i-es-vodorazdel/>.

by 2030,⁷ energy cooperation will have less leverage on Russia-EU relations. The US impulse to “insulate” Russia by taking advantage of the situation will also limit both sides' willingness and space for a conditional compromise. For Russian strategists, the debate over whether Russian civilization is rooted in the East or the West seems less relevant, while the more independent “civilization exceptionalism” is gaining momentum. Russia’s future foreign policy will be steered by its self-positioning as a non-Western country and its “turn to the East”.⁸

In contrast to Russia’s transition in its foreign policy, China continues to facilitate the building of a framework of major-country relations that features overall stability and balanced development. While steadily advancing China-Russian comprehensive strategic partnership of coordination for a new era, China interacts with the US according to the three principles of mutual respect, peaceful coexistence and win-win cooperation, and regards China and the EU as two major forces, big markets and great civilizations, sharing extensive common interests and a solid foundation for cooperation. In the future great power game between China, Russia, the US, and the EU, Russia's influence and maneuverability will be limited, thus China and Russia will need to re-coordinate their strategic positioning and diplomatic priorities.

Transcending Cold War Mentality and Empiricism: How the Conflict is Reshaping China-Russia Relations

Many experts allege that, under the strategic pressure from the so-called Collective West and the US policy of Dual Containment, Russia is now unprecedentedly sanctioned and isolated over the conflict with Ukraine, hence China and Russia will be forced to embark on the long-discussed path of alliance, strengthen strategic and interest bundling, and forge a so-called “anti-Western” united front.

Not an Alliance or the “anti-Western” United Front

From the historical experience, China and Russia/Soviet Union made three attempts to form an alliance in modern times, including the Li-Lobanov Treaty or the Sino-Russian Secret Treaty signed by Qing China and the Russian Empire in 1896; the Sino-Soviet Treaty of Friendship and Alliance signed by the Republic of China and the Union of Soviet Socialist Republics in 1945; and the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance signed by the People’s Republic of China and the Union of Soviet Socialist Republics in 1950. Nonetheless, history has proven that all the three attempts at an alliance between the two countries failed to achieve common defense, failed to build an equal and mutually beneficial relationship between the two countries, and failed to resolve differences in ideology or national interests; the two countries even went to war along the way, which marks a failure in the development of bilateral relations. Learning from the above historical lessons, the two countries signed the Treaty of Good-Neighborliness and Friendly Cooperation Between the People’s Republic of China and the Russian Federation, and legalizes the peaceful philosophy of the two countries and peoples that they will “live in lasting friendship and will never be an adversary against one another”.

As a matter of fact, An alliance between China and Russia goes against the historical experience of the development of the bilateral relations and does not accord with the positioning of the two sides towards each other. “Non-alliance, non-confrontation and non-targeting of any third party” is the *Golden Rule* tested by history and reality of China-Russia relations, which will not be

⁷ “Joint Statement between the European Commission and the United States on European Energy Security,” March 25, 2022, https://ec.europa.eu/commission/presscorner/detail/en/statement_22_2041.

⁸ Дмитрий Тренин, Кто мы, где мы, за что мы – и почему, 11.04.2022, Россия в глобальной политике, <https://globalaffairs.ru/articles/kto-my-gde-my/>.

changed by the political and security turbulence brought by the Ukraine crisis. China and Russia will not take the opportunity to form an alliance or forge an “anti-Western” united front.

In addition, China and Russia (especially China) and the “collective West” are highly interdependent in economy, trade, science, technology, and culture. In 2021, the ASEAN, the EU, the US, Japan, and the ROK were China’s top five trading partners, with the EU, the US, Japan and the ROK together accounting for over 38 percent of China’s total foreign trade.⁹ The EU is Russia's first trade partner, accounting for over 37 percent of the country’s total trade in goods with the world in 2020.¹⁰ As a result of measures such as EU reducing energy dependence on Russia, Russia-EU trade may shrink but is unlikely to happen overnight. Although some countries are promoting “Techno-nationalism”, the world has not yet split into two incompatible systems of scientific norms and technological standards. Therefore, there is no objective condition for China and Russia to build an “anti-Western” united front.

Even in terms of subjective intention, the seemingly growing proximity between Russia and China under the “anti-Western” consensus actually stems from the US all-round strategic containment and intensifying “democracy–autocracy” ideological confrontation; it is a form of “coordinated defense” against the bullying and unilateral sanctions, rather than a united front with anti-West as the goal.

The Choice of Destiny between Russia and the West?

After the outbreak of the Russia-Ukraine conflict, relevant discussions of “no limits” for the friendship between China and Russia is under international scrutiny,¹¹ China is facing a strategic dilemma between the US and Russia,¹² or China and Russia’s military relationship is likely to deepen with the Ukraine crisis¹³ have increased significantly. Some countries even threaten China with sanctions if it continues to cooperate with Russia. It is noteworthy that China does not simply “take sides” on the issue according to the Western logic, but decides on its position and policy based on the merits of the matter itself and national interests. While China supports Russia’s legitimate security demands to be taken seriously and properly addressed, it also maintains that the sovereignty and territorial integrity of all countries—including Ukraine—should be respected and protected, and the purposes and principles of the UN Charter abided by in real earnest.¹⁴

All this indicates that China and Russia have different views on some international and regional issues and have chosen different approaches to address their concerns. However, this does not hinder the overall strategic coordination. Because the mutual trust is built on the common understanding of international fairness and justice, and the coordination of their respective national interests, therefore, the strategic coordination can maintain a high level of internal resilience and external flexibility.

⁹ “SCIO Briefing on China's Import and Export of 2021,” January 14, 2022, http://english.scio.gov.cn/pressroom/node_8027777.htm.

¹⁰ “EU Trade Relations with Russia. Facts, Figures and Latest Developments,” https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/russia_en.

¹¹ “The Friendship between China and Russia Has Boundaries,” *The Economist*, March 19, 2022, <https://www.economist.com/china/chinas-friendship-with-russia-has-boundaries-despite-what-their-leaders-say/21808197>.

¹² Paul Haenle and Tong Zhao, “How China Has Handled Its Strategic Dilemma Over Russia's,” April 12, 2022, <https://carnegieendowment.org/2022/04/12/how-china-has-handled-its-strategic-dilemma-over-russia-s-invasion-pub-86875>.

¹³ Christian Shepherd, “China and Russia’s Military Relationship Likely to Deepen with Ukraine War,” March 21, 2022, <https://www.washingtonpost.com/world/2022/03/21/china-russia-military-arms-drones/>.

¹⁴ “Wang Yi Expounds China's Five-Point Position on the Current Ukraine Issue,” February 26, 2022, https://www.fmprc.gov.cn/eng/zxxx_662805/202202/t20220226_10645855.html.

Moreover, since China and Russia do not follow the alliance logic of “enemy/friend”, or the identity logic of “the self/the other”, the strategic coordination between China and Russia will not be obstructed by differences in positions or discord sown by third parties. Meanwhile, in the tripartite interaction among China, the US, and Russia, the parallel development of bilateral relations will not be disrupted, there is no direct linkage between China-Russia relations, China-US relations and US-Russia relations.¹⁵

The conflict will not lead to a deficit of mutual trust between China and Russia, and the threat of sanctions will not prevent the deepening of strategic coordination. It is not feasible to try to instigate Russia against China from the logic of the *Strategic Triangle*, nor to coerce China to make *Choice of Destiny* between China-Russia and China-West relations.

The Endogenous Power and Independent Value

Being each other’s largest neighbors, China and Russia share a common border as long as over 4,300 kilometers. As emerging markets with highly complementary economic and trade structures, the two countries witnessed the increase of bilateral trade from US\$8 billion in 2000 to US\$ 146.8 billion in 2021.¹⁶ China and Russia have expanded cooperation from trade to such new areas as joint research and development, joint production, and synergizing development strategies. Aside from traditional major and strategic projects, cross-border e-commerce, digital economy, agriculture, tourism and services trade have emerged as a new driving force and new sources of growth in bilateral cooperation. China and Russia are key players in regional and multilateral cooperation, leading the development of the Shanghai Cooperation Organization, the BRICS, the G20 and other mechanisms. As President Xi Jinping emphasized, “China-Russia ties boast strong endogenous power and independent value, which will not be affected by changes in the international arena or by any other factors”.¹⁷

The geopolitical environment shared by Russia and China as the largest neighbors, their international responsibilities, comparative advantages, and development complementarities are the endogenous drivers of the rapid development of bilateral relations, and these “constant factors” will not be affected by the Russia-Ukraine conflict. China has no intention or condition to formulate an alliance with Russia, nor is it obliged to cutting off normal trade cooperation with Russia.

In addition, the goal of China and Russia to strengthen all-round strategic coordination is not “power expansion” based on the position of strength, but to fulfill the responsibility of major countries to safeguard the overall interests of the international community. Strengthening of bilateral strategic cooperation is neither aimed against third countries nor affected by the changing international environment and circumstantial changes in third countries.¹⁸

Since there are no constraint of responsibility, exchange of interests, and “leader-follower relations” in traditional alliance politics, China-Russia strategic cooperation does not need to use the Ukraine crisis to fabricate “imaginary enemies” or demarcate “spheres of influence”, and does not need to go beyond the boundaries of their respective strategic will and capabilities, let

¹⁵ “Ambassador Qin Gang Publishes an Article Entitled ‘The Ukraine Crisis and Its Aftermath’ on The National Interest,” April 18, 2022, http://www.china-embassy.org/eng/dshd/202204/t20220418_10669278.htm.

¹⁶ “China-Russia Trade Hits Record High in 2021 amid Stronger Energy Cooperation: Russian Envoy,” *Global Times*, January 25, 2022, <https://www.globaltimes.cn/page/202201/1246911.shtml>.

¹⁷ “Xi Eyes Unwavering Development of China-Russia Partnership,” Xinhuanet, December 29, 2020, http://www.xinhuanet.com/english/2020-12/29/c_139624811.htm.

¹⁸ “Joint Statement of the Russian Federation and the People’s Republic of China on the International Relations Entering a New Era and the Global Sustainable Development,” February 4, 2022, <http://en.kremlin.ru/supplement/5770>.

alone beyond reasonable demands and development needs.

Constructive Synergy: Prospect of China-Russia Relations

Undoubtedly, the spillover effect of the Russia-Ukraine conflict will lead to the reconfiguration of global power, the reconstruction of the international order, and the clash and exchange of thought and ideas. In the meantime, turmoil and transformation will continue to spread worldwide. Addressing the new challenges in the international system, world order and global governance in the post-conflict era will become a top priority in the development of China-Russia relations.

Stabilizing Forces at Global and Multilateral Stages

Although China and Russia's strategic cooperation is a bilateral relationship, it has global significance and directly influences the stability of the region and the world. Nowadays, there are debates over the possible regression to “Yalta model” (division of spheres of influence) or “Vienna model” (coordination and balance of power) world order caused by the Russia-Ukraine conflict, and the possible return of the “East-West conflict” under the security agenda from the “North-South cooperation” under the development agenda, highlighting the significant gap between countries' views on security, world order and values. Therefore, China and Russia should form “constructive synergy” in safeguarding peace, stability and development of the world, maintaining the smooth operation of the international order, championing the common values of humanity, and reforming the global governance system.

How to strength constructive synergy at the global and multilateral levels, and become key stabilizing forces in the midst of upheavals, remain as an important agenda for Sino-Russian partnership. The two countries will continue to uphold the international system with the UN at its core, the international order underpinned by international law, and the basic norms of international relations based on the purposes of the UN Charter, and guard against any attempts that create division or trumpet a new Cold War.

“No Ceiling” but with “Bottom Line”

Before the Russia-Ukraine conflict, China explicitly backs Russia to oppose NATO's eastward expansion in the Joint Statement signed in February, 2022, and echoed Russia's earlier demands for “long-term legally binding security guarantees in Europe”. China's position is not motivated by the “no ceiling” to the mutual trust, but is based on the common, comprehensive, cooperative and sustainable security it advocates. China believes that the security of one country should not come at the expense of the security of other countries, still less should regional security be guaranteed by strengthening or even expanding military blocs.

Given the US attempts to build an “Indo-Pacific version of NATO” by power up the Quad, the AUKUS, and boost NATO collusion with Asian allies, China's opposition to NATO's eastward expansion is a policy choice based on its own assessment of the changes in regional security pattern, rather than simplified acception of Russia's narrative or arguments. Adhering to the “no ceiling” to the mutual trust while drawing a bottom line for China-Russia relations, has become an important consideration for China.

In other words, the bottom line of China-Russia mutual trust implies a balance between the individual concerns and the consensuses of both sides, between national interests and the overall interests of international community, between the principles of “mutual assistance amid difficulties” and “like-mindedness”. China-Russia mutual trust should be a valuable asset for defending basic international norms and justice as well as for safeguarding world peace, security

and stability.

“No Forbidden Zone” but with Value Orientation

The outbreak of the Russia-Ukraine conflict demonstrates that China and Russia share common perceptions of the injustice, irrationality and imperfections in the international system and international order, but differ in their choice of solutions. China holds that the current international order can be carefully maintained with reforms and improvement,¹⁹ while Russia chooses to reconstruct or “end” it, even resorts to the classical military conflict.²⁰ This also indicates that although there is “no forbidden zone” in China-Russia strategic cooperation, it is necessary for the two sides to reconcile the conceptual differences. With the consensus of opposing hegemonism, unilateralism, interventionism and bullying behaviors as the core values, the win-win effect of the bilateral strategic cooperation will be amplified.

Conclusion

The Russia-Ukraine conflict may have placed the existing consensus between China and Russia under pressure, prompting the two countries to re-coordinate strategic positioning and diplomatic priorities. Opportunities and risks coexist in the practical cooperation, but it will not reshape the endogenous logic of the development of bilateral relations, nor will it lead to an “anti-Western” alliance and a deficit of mutual trust between the two sides. More importantly, the endogenous dynamics and independent value of the Sino-Russian relations will be more prominent. The key to taking the bilateral relations to a higher level is to strengthen the constructive synergy at the global and multilateral levels, draw the bottom line while adhering to the “no ceiling” to mutual trust, and advocate “no forbidden zone” for coordination while highlighting value orientation.

¹⁹ “Xi Meets Foreign Attendees to Imperial Springs Int'l Forum, Calls for Upholding Multilateralism,” Xinhuanet, December 4, 2019, https://english.www.gov.cn/news/topnews/201912/04/content_WS5de6f08ec6d0bcf8c4c1842e.html.

²⁰ Fyodor A. Lukyanov, “Old Thinking for Our Country and the World,” *Russia in Global Affairs*, Vol. 20, No. 1, p. 10, <https://eng.globalaffairs.ru/wp-content/uploads/2022/04/005-010.pdf>.

Ramifications for Arms Control and Nuclear Disarmament

Beyond Russia-Ukraine Conflict

BY WU CHUNSI

The raging Russia-Ukraine conflict is a stark reminder of the urgency of effective management of weapons of mass destruction. The international community must come together to restart the long-stalled international negotiations over arms control and nuclear disarmament by fully utilizing the existing mechanisms and platforms and generating greater consensus and impetus among all stakeholders. A staunch supporter of the international arms control and nuclear disarmament regime, China adheres to its longstanding nuclear policy of maximum restraint and remains committed to the pursuit of a new path leading to a world of enduring peace and stability.¹

Growing Nuclear Risks

No use of weapons of mass destruction has been reported by far in the Russia-Ukraine war, but the dynamics on the battleground and the Kremlin's nuclear signaling have highlighted five gloomy—some even apocalyptic—nuclear scenarios.

The first involves the use of nuclear weapons by a nuclear-armed state.² The long-held belief that the use of nuclear weapons has become unthinkable in today's world seemed to have been reinforced by the Joint Statement of the Leaders of the Five Nuclear-Weapon States on Preventing Nuclear War and Avoiding Arms Races released in early January 2022, until President Putin's

¹ This is a summary of a longer essay published in the May/June 2022 issue of *Global Review*.

² Nuclear weapon states refer to the five acknowledged by the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), which had built and tested a nuclear explosive device before January 1, 1967.

ordered Russia's nuclear forces into "special combat readiness" only four days into the current conflict. The looming specter of nuclear conflagration makes it imperative for the world to reaffirm the commitment that nuclear weapons must never be used.

The second grim scenario involves sabotage of nuclear facilities in non-nuclear weapon states. For example, Ukrainian nuclear power plants caught in the crossfire have become a cause of growing concern. Military attacks on nuclear facilities may cause leaks that have disastrous consequences. Non-nuclear weapon states may choose to use their nuclear facilities as a deterrent against potential assault. A far worse case could involve a terrorist group or other malicious organizations sabotaging civilian nuclear facilities to create chaos. Even though global bodies like the United Nations and International Atomic Energy Agency stay vigilant about these nuclear risks, they are incapable of responding swiftly in the event of an accident or deliberate attack, let alone providing sufficient safeguards for civilian nuclear facilities.

Third, the growing risk of more countries choosing to cross the nuclear threshold. Ukrainians have now come to regret their decision to give up the nuclear weapons on their soil—then the world's third-largest arsenal—in the aftermath of the collapse of the Soviet Union. The pervasive sense of betrayal in Ukraine is prompting a defense policy rethink in many non-nuclear weapon states. Of special note is the fact that the latest list of nuclear aspirants now includes America's leading allies in East Asia, Japan and South Korea, which are seriously contemplating the deployment of nuclear weapons on their soil.³ It reminds the world that the risk of nuclear proliferation is not confined to Washington's sworn enemies like Iran and North Korea. In retrospect, during the Cold War the United States either acquiesced to allies' nuclear ambitions or simply rolled over when a country it wanted to court crossed the nuclear threshold. Nuclear proliferation among U.S. allies and partners will send a shock wave through the global arms control architecture.

Fourth, the Russo-Ukrainian conflict may derail global arms control talks and undermine strategic stability among nuclear superpowers. Roughly in nuclear parity, Russia and the United States possess 90 percent of the world's total warheads.⁴ The withdrawal by either party from arms control and nuclear disarmament talks will have grave repercussions for global security. If strategic stability talks between Washington and Moscow cannot be resumed soon and if the West keeps ramping up sanctions against Russia, what role the Kremlin is going to play and how it's going to do it in terms of arms control and nuclear disarmament deserve closer attention.⁵ Fifth, the rising risk of nuclear powers' rearmament. The ongoing conflict is not moving European security in a more balanced and inclusive direction. The United States is pushing for NATO to increase its military presence in Eastern Europe, raise national defense budgets, and move closer to deploying missile defense systems—actions deemed hostile by President Putin, who is determined to push back against the West's further advances.⁶ Moreover, even as it is

³ While Japan and South Korea contemplate their nuclear options, Iran has not changed its nuclear policy though international negotiations to restore the JCPOA (Joint Comprehensive Plan of Action) have not yielded significant progress.

⁴ According to the statistics released by the Stockholm International Peace Research Institute in January 2021, the United States possesses 5,550 warheads and Russia has 6,255. The institute's database also calculates the number of nuclear warheads in the possession of Israel, India, and Pakistan. For more detailed information, see <https://www.sipri.org/research/armament-and-disarmament/nuclear-disarmament-arms-control-and-non-proliferation/world-nuclear-forces>.

⁵ For the impact of the Russia-Ukraine conflict on Moscow's role in arms control and disarmament, see Rose Gottemoeller, "How to Stop a New Nuclear Arms Race," *Foreign Affairs*, March 9, 2022, <https://www.foreignaffairs.com/russia-fsu/2022-03-09/how-stop-new-nuclear-arms-race>.

⁶ The Biden administration's first national defense strategy will incorporate both the Nuclear Posture Review and Missile Defense Review, an expected move as the defense establishment elevates the role of missile defense systems in U.S. defense and security policy. U.S. Department of Defense, "Fact Sheet: 2022 National Defense

stepping up security presence in Europe, Washington is also strengthening its alliance system in the Asia-Pacific, making future interactions between Russia, the United States, and China on such issues as nuclear weapons development, missile defense system deployment, arms control, and disarmament matters of growing concern for the whole world.

Major Obstacles to Nuclear Risk Management

Even though the current war has not spilled across Ukraine's borders and not involved any use of weapons of mass destruction, it does make the unthinkable a little more thinkable and raise some broader issues of fundamental importance for global nuclear security, such as nuclear powers' strategic policy and posture, effectiveness of global arms control and disarmament regimes, the role of non-nuclear weapon states, and relations between nuclear powers.

First, leading nuclear states' policy and posture. In the seventy-odd years since the advent of nuclear weapons, only China has adopted and adhered to a "no first use" policy and pledged not to use nuclear weapons against non-nuclear weapon states. Refusal by other great powers to make similar pledges citing the need for nuclear deterrence and extended deterrence has placed the world near the brink of a nuclear war. Worse still, many factors that helped stabilize superpower relations during the Cold War do not apply any more in today's world, making re-assurance of strategic intention and re-commitment to preventing a nuclear war among nuclear weapon states all the more important.

Second, effectiveness of the arms control regime. The number of self-proclaimed nuclear weapons states have increased since the end of the Cold War. U.S. withdrawal from arms control and disarmament treaties and agreements under the George W. Bush and Donald Trump administrations had further undermined the authority and potency of the arms control and nonproliferation regimes. The nuclear specter raised in the Russo-Ukrainian has reminded us that the world has to revamp and revive these regimes to provide robust safeguards against possible nuclear apocalypse.

Third, the uncertain role of non-nuclear weapon states. The current conflict has exposed an overlooked aspect of the risk posed by non-nuclear states. Even without nuclear warheads, these countries could use civilian nuclear facilities within their borders as a potent deterrent against a more powerful adversary. Worse still, civilian nuclear facilities could fall into the hands of terror groups or other malicious organizations and be used for blackmail. While great powers must shoulder chief responsibilities for global nuclear security, non-nuclear states should also commit to better securing their nuclear facilities and keeping them out of the wrong hands.

Fourth, interactions among nuclear powers. Multiple challenges now threaten to further jeopardize major power relations. Direct talks between Washington and Moscow on strategic stability are now unrealistic. The Biden administration's focus on ideological rivalry in its dealings with adversaries stands in stark contrast with the historical periods when U.S. presidents initiated and approached arms control talks in a more pragmatic manner. Besides, the return of geostrategic competition has also made compromises and concessions far more difficult. Mutual restraint and tacit understanding that had kept the Cold War from escalating into a hot one over the past seven decades are hard to find in today's world.

The Path Forward

In the face of a multitude of rising nuclear risks underscored by the current Russia-Ukraine

Strategy," March 28, 2022, <https://media.defense.gov/2022/Mar/28/2002964702/-1/-1/1/NDS-FACT-SHEET.PDF>.

conflict and their potential repercussions for arms control, nuclear disarmament, and global security, the international community must act now to renovate the global nuclear governance architecture with a view to preventing further proliferation, strengthening safeguards, and forestalling nuclear conflagration.

First, the world must reaffirm the goal of nuclear nonproliferation and arms control in the upcoming Tenth NPT Review Conference. This conference, repeatedly delayed due to the global pandemic, provides a rare opportunity to revive great power cooperation in an increasingly uncertain international landscape. Proactive actions by all stakeholders are needed to explore all possible avenues for a constructive agenda at the conference and push nuclear powers to contribute more to arms control and disarmament.

Second, reviving nuclear security cooperation by strengthening the role and authority of the International Atomic Energy Agency in managing civilian nuclear risks. Apart from the IAEA, other platforms for nuclear security cooperation should also be strengthened. For example, the Center of Excellence on Nuclear Security in Beijing's suburb is an important product of the four nuclear security summits, serving as a forum for exchanging technical information, sharing best practices, and developing training to enhance nuclear security in China and throughout the Asia-Pacific region.

Third, nuclear superpowers, the United States in particular, must shoulder greater responsibilities for arms control and disarmament. The international community should urge nuclear superpowers to substantially shrink their respective arsenals, reduce the role of nuclear weapons in foreign and defense policy, and restrain their allies and partners from crossing the nuclear threshold.

Fourth, restoring strategic mutual trust among nuclear weapon states. Strategic intentions must be ascertained to reduce miscalculation. Strategic stability must remain the top priority in great power relations, but talks should be broadened to reflect new geopolitical realities like the diffusion of power and the emergence of new domains and technologies like cyberspace, outer space, artificial intelligence, and cloud computing. Major powers should increase consultations on risk management and prevention on issues like accidental launch of nuclear weapons.

In the face of multiple challenges in arms control and nuclear disarmament, China should join hands with the rest of the world to find a new path leading toward a world of lasting peace and stability.

Russia-Ukraine Conflict

Accelerating Transformation of International Economic Order

BY YU XIANG

The Russia-Ukraine conflict has provided new impetus to the centennial change in global order. Combined with the impact of global pandemic, this conflict has accelerated the transformation of international economic order from a US-dominated globalization process to the globalization driven by coexistence of multiple parallel systems.

Inherent Tensions underneath the Conflict

From the economic and financial perspective, it was the inherent tensions leading to the outbreak of Russia-Ukraine conflict, with its timing also of great concern to the world.

First, the inherent tensions between the energy exporting countries and energy importing countries. The Russia-Ukraine conflict reflects the outcome of the combination of complex historical context and recent development. At first sight, it may be regarded as just the conflict between the two countries of Russia and Ukraine. Actually, it has become the new round of direct confrontation between Russia and the West including the United States and EU since the end of the Cold War. Russian economy has been heavily dependent on energy exports, with European countries being its major energy consumers. And Ukraine also benefited from its role as “a bridge” for the energy export and import activities of Russia and the EU. However, Ukraine has become increasingly unwilling to just take the role of “energy corridor” and “world barn”. It hopes to get integrated into the western countries’ economic and financial cycle and transform Ukraine’s

economic growth pattern through stronger connection to the EU economic and financial activities. In response to Ukraine's intentions and policies, Russia had "weaponized" energy export to Ukraine with measures of temporary suspension of natural gas supply and raising the price of energy export to Ukraine. However, although the direct target of such kind of measure was Ukraine, the western European countries at the end of the energy supply-consumption chain actually had been the hardest hit countries. So the European countries, specifically the countries from western Europe, have been at rift with Russia on this issue for quite a long time.

Second, there is a deeply-embedded conflict between Russian energy exporting economy model and the Western information economy model. In recent years, the western countries have taken measures to block Russia from engaging with their economy and technology, which has led to much slower pace of penetration of new technology into Russia's national economy compared with the western countries. In the meantime, benefiting from rapid upgrading of new technology and fast development of digital economy, the western economies are evolving from industrial economy to information economy. Compared with energy export economy, the information economy has the advantage of decreasing energy use for every unit output due to the input of modern information technology, thus relatively reduce its aggregate demand for energy use. Another disadvantage of over-reliance on energy export is that the earnings may be affected greatly by price vibrations in global energy market. The Covid-19 pandemic had caused sustained low price in international energy market, which further aggravated Russian economic problems. The long-term effect of differences in the two economic models will be political, economic, and military disequilibrium. The longer differences last, the greater disequilibrium is. So the contradictions between Russia's energy exporting economy and western information economy are definitely further deepened.

Besides, the timing for the outbreak of Russia-Ukraine conflict also deserves certain concern. It's just the beginning of new economic cycle of the American economy. American stock markets have greatly deviated from its economic base, with the US Federal Reserve now being haunted with the question of how to exit previous stimulus policies. It's interesting to see that the outbreak of the conflict has provided an opportunity for the Biden administration to shift blame on its domestic policies as well as a luring profit prospect for US military industrial complex.

Short Term Impacts

It goes without saying that it will never be in China's interest to witness the a conflict between Russia and Ukraine. Actually, China has benefited greatly from the current international economic system. As for certain unequal and unfair elements in the current system, China has made its stance very clear that it hopes to make some incremental reform on current international economic system, on the basis of UN system and the guidance of multilateralism. From the economic point, the minimalist approach in terms of economic and social costs has always been the gradual transition from one stable situation to another stable situation, and a dramatic change is definitely not the answer. In Chinese terms, we should "make construction before deconstruction" rather than "construct after deconstruction". So it serves China's national interest better to maintain the stability of current system and in the meantime push for certain incremental reform on current international economic system.

China is not a direct party to the conflict between Russia and Ukraine. But the spillover effect of the conflict has caused negative impact on China. It's absurd to assume that China has benefited greatly from this conflict.

First, the conflict has greatly affected Chinese economy and financial market. By the end of December 2021, Chinese government made some analysis and judgement on the economic outlook, and also made certain instructions on the future work to stabilize Chinese economy,

which had shown us the pressure on the stabilization of China's economic growth, people's income level and living standard, and also the aggregate price level. The international economic and financial turmoil brought about by the Russia-Ukraine conflict has prompted China to face even more serious challenges in achieving its major economic targets.

In the short term, the dramatically rising prices in international energy market and a turbulent international financial market will bring negative impact on investors' sentiment in China's financial market. What's more important, the conflict has disrupted global supply of agricultural products, with the dramatically rising global food prices further increasing pressure on the commodities market which has already been on the highest point in several years. China's PBOC is now facing the tough challenges of securing economic growth while effectively controlling inflation. The conflict may also lead to great disequilibrium in global food supply and demand, with the combined effects of "restricted selling" policies of major food exporting countries and the rush to increase more food reserves by rich countries bring about even greater pressure on poor countries and regions with food shortages.

Second, the western countries and Russia has fought back and forth with several rounds of sanctions and countermeasures since the conflict, with lots of trade and financial sanctions adding on each other. The impacts of these measures have already exceeded the limits of relevant countries of Russia, US, and EU, spreading to much wider global economy.

Despite the proclamations of western countries that western sanctions will have great negative impacts on Russian economy and elites, it may still take some time for us to see the real impact of sanctions.¹ It's clear that sanctions have always been "a double-edged sword", with western countries themselves also feeling negative impacts at least in the short term. The western economies are "bleeding" while sanctioning Russia. With sanction measures becoming more severe, the US and other western countries will also receive even greater reverse impacts. And Russia still has certain policy instruments to mitigate the negative impacts of western sanctions. Besides that, western sanctions have made Russia into a new "land of opportunity" of value investment with great attraction to capitals seeking high profits. Some western companies has attempted to buy in assets of Russian companies at the market bottom in order to gain super extra investment returns. In fact, since early March, some western companies have already run into the market purchasing cheap Russian corporate bonds and securities.²

However, the sanctions made by western countries have already brought about great negative spillover effect, which has magnificently increased the business risks for Chinese enterprises. While China is striving to expand trade volume with countries from Eastern Europe and Central Asia, the conflict has increased trade and investment risks caused by geopolitics for Chinese companies in doing business with countries in these regions. China's city of Yiwu has seen a greatly declining export to Ukraine, with an 80 percent decrease compared with average volume. Some hedge funds even took the opportunity of the conflict to create turmoil in futures markets of some commodities such as nickel, and this has greatly increased international economic and financial risks for Chinese companies.³ As a result of some Russian banks being excluded from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), many Russian banks now are more willing to conduct trans-border financial transactions through the channels of Chinese banks. However, due to the concern over the secondary sanction effect of western sanctions, Chinese banks may not be willing to take up financial transactions related to Russia.⁴ The conflict has also caused certain disruption to China's Belt and Road Initiative, for instance, the China-EU railway express has to suspend or change the railway routes with destination in or

¹ <https://www.weforum.org/agenda/2022/03/russia-gas-oil-exports-sanctions/>

² <https://www.bloomberg.com/news/articles/2022-03-03/wall-street-is-already-pouncing-on-russia-s-cheap-corporate-debt>

³ <https://www.economist.com/finance-and-economics/2022/03/19/a-nickel-trading-fiasco-raises-three-big-questions>

⁴ <https://fortune.com/2022/03/04/russia-china-ukraine-sanctions-swift-alternative/>

transit Ukraine.

Furthermore, Chinese companies are faced with more and more complicated western sanction measures, which increase the risk of mistakenly triggering the sanction measures and thus may cause great disruption to normal production process and daily business of Chinese companies.⁵

Long Term Impacts

The long term impacts of Russia-Ukraine conflict may exceed any regional war since the WWII. It will spawn new divisions and alliances among the countries around the world, and further accelerate the transformation of global order.

To begin with, it may speed up the creation of parallel international markets. Before this conflict, international economic relations had already received great impact from the Trump administration's "America First" policy. Now the Russia-Ukraine conflict may even further the formation of various blocs in international economic and financial system. Although the Russia-Ukraine conflict is only a regional armed conflict from the military perspective, the non-military impacts of this conflict has already spilled over to a lot of countries in the world, with the battlefields extended to various areas such as financial market, international trade, high technology, public media, ideology, and even cultures. It's never been seen since the WWII with such large scale, diversity of tools, and wide scope. The massive sanctions launched by the US and European countries have prompted many countries, including China, to reconsider seriously the way of mitigating western countries' sanctions. The US and other western countries decided to exclude Russia from the SWIFT inter-bank system, which has signaled a warning to many countries on the necessity to build manageable and controllable international payment and clearing system, so as to protect their own interests. In the future, parallel markets may be built along this line, with the countries supporting Russia constituting a "like-minded market", and countries supporting Ukraine forming another "like-minded market".

However, this kind of parallel markets is not in conformity with China's development goals. China has been advocating for deepening globalization to achieve the goal of efficient distribution of resources around the globe. Exclusive blocs and parallel markets will increase the cost of trade and investment facilitation and bring hurdles to the raising of universal welfare for all the human societies around the world. To prevent this scenario from coming into reality, China needs to work together with other countries on the post-conflict rebuilding process, and also advocates for building more inclusive and open community for cooperation rather than setting up new fences against each other. Countries around the world should enhance cooperation in addressing global issues including green development, climate change, poverty reduction, privacy protection, debt alleviation, and countering terrorists activities, reducing the possibility of confrontations between different blocs.

Second, the weakening of dollar hegemony in global financial market may have gained new momentum. Under the guidance of "America First", the Trump administration launched large scale "trade war" and pursue a "zero-sum game" with its trading partners, which happened just at the price of the US international leadership. Under the Biden administration, the US has not made great change to the economic policies of Trump administration, with the credibility of US dollar at much greater risk. In the meantime, the US Federal Reserve implemented the "unlimited quantitative easing" policy during the Covid-19 global pandemic, which has further demonstrated to the world that the US planned to use dollar's unique status in international financial market to shift the economic burden and cost of domestic disease control. Since the

⁵<https://www.wsj.com/livecoverage/russia-ukraine-latest-news-2022-03-25/card/yellen-says-sanctions-on-china-for-position-on-russia-s-war-inukraine-unnecessary-for-now-gRKq4wJtQ8i2Z7HrVXpP>

Russia-Ukraine conflict, the US joined with EU to use the dollar hegemony as a tool to enhance the effects of their financial sanctions against Russia. As a result, other countries are also feeling the potential dangers of dollar hegemony, with many of them beginning to explore the possibility of alternative trading and payment system beyond the dollar system.⁶

Meanwhile, China has a well-balanced position on the possible decline of dollar hegemony. It argues that the dollar system has been an important platform for economic globalization and China doesn't want to challenge the dominant status of dollar in international financial market. What China really pursues is just the appropriate role of RMB in international economy, with it comparable to the importance of China's aggregate economic capacity in global economy.⁷

Third, the conflict has accelerated the transformation of international energy market. European countries have realized that they need to diversify energy supply sources. On one hand, this trend may make the international energy production and consumption market more flat and diverse. In another word, it will change from "concentration" to "decentralization", from "linear" to "matrix". On the other hand, the new trend may raise the speed for the coming of new energy revolution, with the weight of new energy such as solar power, wind power, and hydro power in energy consumption continuing to rise. A more flat and diverse or decentralized and matrixed international energy market will also have important geopolitical implication by changing the subject matters covered by the concept of national security. Major powers may reduce struggles in controlling traditional energy supply corridors and as a result turn to new type of energy facilities.

While the transformation of international energy market may be accelerated due to the ongoing conflict, we still need to bear in mind the utmost urgency of the work for human beings to address the challenges of climate change. The UN Intergovernmental Panel on Climate Change (IPCC) recently published the new report of Impacts, Adaptation and Vulnerability, which has made the warning again that the window for the adaptation to climate change around the world is closing and the environment for the existence of human beings will face a irreversible future if no action is taken now.⁸ As the two leading economies in the world, China and US need to enhance cooperation to address challenges brought about by the conflict, so as to prevent the consensus achieved in the Glasgow Climate Change Conference from being sidelined. China and the US can and should work together to improve global energy and climate governance; expand the scope of emergency response on the basis of oil security assurance mechanism under international organizations such as IEA and OPEA; and use the G20 platform to seek for consensus building on energy governance between developed economies and emerging market economies.

⁶ <https://foreignpolicy.com/2022/03/08/swift-sanctions-ukraine-russia-nato-putin-war-global-finance/>

⁷ <https://www.economist.com/finance-and-economics/2022/04/02/will-dollar-dominance-give-way-to-a-multipolar-system-of-currencies>

⁸ AR6 Climate Change 2022: Impacts, Adaptation and Vulnerability, <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/>

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Founded in 1960, the Shanghai Institutes for International Studies (SIIS) is a government-affiliated high-caliber think tank dedicated to informing government decision-making by conducting policy-oriented studies in world politics, economics, foreign policy, and international security. SIIS maintains intensive and extensive exchanges and cooperation with research institutions at home and abroad, bolstering China's international influence and soft power.

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