

 BRIEF

Implications of Russia's Invasion of Ukraine for China

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Implications of Russia's Invasion of Ukraine for China

Executive Summary

Relations between Russia and China have increasingly warmed, with Russian President Vladimir Putin having met People's Republic of China (PRC) President Xi Jinping over three dozen times since 2013.¹ Both leaders and nations have had closer ties due in part to their similar adversarial stances towards the United States and increasing economic links, as well as their views on governance and respective visions regarding Taiwan and Ukraine. The two nations released a joint statement on February 4, 2022, declaring a “no limits” partnership, claiming that their relationship is now superior to any Cold War era alliance, and pledging to work together on space, climate change, AI, and internet policies. Both nations also emphasized that they would have no “forbidden” areas of cooperation and that they were interested in working together to build a new international order—ostensibly in opposition to the United States.²

While the rhetoric indicates high levels of cooperation, the alliance does not necessarily ensure that China will back all of Russia's decisions. The current Russian military offensive in Ukraine appears to be a major stressor in the Russia-China alliance, testing their so-called “no-limits” cooperation, as seen in China's careful response following the Russian offensive in Ukraine in late February 2022.

Details

China's Response to the Ukraine Crisis and Russia Sanctions

Officially, China has refused to condemn President Putin over the Russian invasion of Ukraine.³ However, China has also not supported Russia's military actions and has consistently denied any reports or accusations of even hearing out Russian requests for military assistance in Ukraine. China's denial of such claims indicates that the nation is, at least publicly, interested in maintaining neutrality in the matter. This is likely because countries sanctioning Russia could presumably extend such sanctions to China should the country's military get involved in the Ukraine conflict.⁴ Beyond the continual calls for neutrality, the only other major announcement that China has made regarding Ukraine pertains to China providing USD 786,000 of humanitarian assistance to Ukraine via the Chinese Red Cross—a relatively small sum in terms of aid.⁵

¹ <https://www.wsj.com/articles/russia-china-relations-what-to-know-11647400417>

² <https://www.reuters.com/world/europe/russia-china-tell-nato-stop-expansion-moscow-backs-beijing-taiwan-2022-02-04/>

³ <https://www.reuters.com/world/russia-vetoes-un-security-action-ukraine-china-abstains-2022-02-25/>

⁴ <https://www.reuters.com/world/china/china-denies-us-claim-that-russia-asked-help-ukraine-2022-03-15/>

⁵ <https://www.reuters.com/world/asia-pacific/china-says-taiwan-taking-advantage-ukraine-island-sends-more-aid-2022-03-16/>



Official statements from China have been largely limited to Foreign Minister Wang Yi and President Xi Jinping calling for peace talks and restraint in a neutral manner. Foreign Minister Wang has stated that "China firmly advocates respecting and safeguarding the sovereignty and territorial integrity of all countries...[t]his equally applies to the Ukraine issue" and that the current situation in Ukraine was not something China wished to see, but that Russia's concerns and demands regarding the North Atlantic Treaty Organization (NATO) "should be taken seriously and addressed."⁶ In early March 2022, President Xi called for "maximum restraint" regarding Ukraine, stating that the situation was worrying and that there should be support for peace talks between Ukraine and Russia.⁷

While China has expressed opposition to the sanctions on Russia and deemed them "illegal," the country has quietly worked to limit its own exposure and risk profile regarding economic activity with Russia. In early March 2022, media reports stated that China told top state insurers to immediately examine and report on possible financial exposure to Russia and Ukraine, reportedly requiring contingency plans—likely as a move to minimize risk to China's own financial institutions and investments following the intense backlash and subsequent sanctions imposed on Russia.⁸ Additionally, the Asian Infrastructure Investment Bank (AIIB), a China-backed multilateral development bank focused on Asia and rival to the World Bank and International Monetary Fund, placed all activities relating to Russia and Belarus on hold and under review on March 3, 2022, to "safeguard the financial integrity of AIIB" in response to the evolving situation.⁹

Altogether, while China and Russia's relationship is closer than it has been in many years, the Ukraine conflict has tested the limits of their partnership; China is doing its utmost to diplomatically remain neutral without upsetting either its ally or the many countries condemning the offensive. Furthermore, with the surprising breadth and intensity of the sanctions imposed on Russia, China likely hopes to protect itself from the economic and political fallout. While China and Russia may see eye-to-eye on their more adversarial relationship with the United States and the West, China appears to have a much lower risk threshold than Russia does for testing the limits of such confrontational behavior.

Ramifications for China and China-Taiwan

A common comparison to the Russia-Ukraine situation has been China's relationship with Taiwan. There are similarities in that both Russia and China view Ukraine and Taiwan as, respectively, "Russian" and "Chinese." Taiwan has extended significant vocal diplomatic and fiscal support for Ukraine, sympathizing with Ukraine being subjected to a military invasion by a powerful nation that views the country as its rightful territory.

However, there are a few key differences between the China-Taiwan situation and that of Russia and Ukraine that make the possibility of a similar Chinese military invasion of Taiwan improbable. Even on the off-chance that China were to be inspired by Russia's offensive, the fallout from the February 2022 assault, a different profile of economic ties, and other political and military strategic deterrents provide strong incentives to veer away from a military invasion of Taiwan.

⁶[https://www\[.\]reuters\[.\]com/world/europe/china-says-it-respects-ukraines-sovereignty-russias-security-concerns-2022-02-25/](https://www[.]reuters[.]com/world/europe/china-says-it-respects-ukraines-sovereignty-russias-security-concerns-2022-02-25/)

⁷ [https://www\[.\]reuters\[.\]com/world/china/chinas-xi-calls-maximum-restraint-ukraine-2022-03-08/](https://www[.]reuters[.]com/world/china/chinas-xi-calls-maximum-restraint-ukraine-2022-03-08/)

⁸[https://www\[.\]reuters\[.\]com/markets/europe/exclusive-china-asks-state-insurers-review-exposure-russia-ukraine-sources-2022-03-04/](https://www[.]reuters[.]com/markets/europe/exclusive-china-asks-state-insurers-review-exposure-russia-ukraine-sources-2022-03-04/)

⁹[https://www\[.\]reuters\[.\]com/world/china/china-led-asian-infrastructure-investment-bank-freezes-russia-lending-2022-03-03/](https://www[.]reuters[.]com/world/china/china-led-asian-infrastructure-investment-bank-freezes-russia-lending-2022-03-03/)



The “One China Principle” and Taiwan’s Political Ambiguity

One key difference between Taiwan and Ukraine is the political status of each area. While Putin appears to view Ukraine as a “false” creation of the Soviet Union and the West, Russia’s official government stance has never been that Ukraine is part of Russia or that Ukraine is not an independent country.

Conversely, it has consistently been the PRC’s position that Taiwan has and is a part of China on the basis of the historic “One-China Principle”. The PRC, led by the Communist Party of China (CPC), was founded in mainland China in 1949 after the unofficial end of its civil war. Following the cessation of fighting between the CPC and the previously-governing Kuomintang party (KMT) of the Republic of China (ROC) in 1949, the overthrown KMT retreated to Taiwan in December 1949. The then-leader of the ROC, Chiang Kai-shek, declared Taipei the temporary capital of the ROC and continued to assert the ROC was the legitimate government of China.

While much has changed with regards to Taiwan (still known as the ROC) and the PRC’s stances about each other since the last 1940s, what remains true is that the Chinese Civil War technically never ended. This makes for one of the basic foundations of the PRC’s “One China Principle” (separate from the U.S.-China “One China Policy”), which asserts that there is one China. The PRC’s position is that, as they are the political and legal representatives of China and as Taiwan is still a part of China, Taiwan is therefore “an inalienable part of the territory of the PRC,” and the ROC is only a local authority within Taiwan.¹⁰ China’s insistence that diplomatic relations can only be established after a country severs ties with Taiwan authorities—coupled with China’s rise to power—has further diminished Taiwan’s status as the legal representative of China, particularly as the ROC also lost interest in the governance of mainland China long ago.

Instead, Taiwan occupies an ambiguous place regarding sovereignty. For Taiwan, political leadership have historically worked to toe the line between asserting Taiwan’s right to self-governance and the continual threat of a military invasion by China, as China has never ruled out a forced reintegration—particularly if Taiwan should declare itself independent. Taiwan’s current president, Tsai Ing-wen, has effectively stated that Taiwan has de facto sovereignty and that there is no need for a de jure declaration¹¹—a position that the PRC has condemned but has not activated a military reunification over. Meanwhile, the PRC’s bottom line has consistently been a desire for reunification, with further emphasis on unification between Taiwan and China under President Xi’s rule—preferably peacefully but possibly via force. This is very distinct from Ukraine’s position as a sovereign state both on the world stage and, technically, by Russia.

The Threat of U.S. Involvement in a China-Taiwan Conflict

The United States has long recognized the PRC as the political and legal governing body of China. However, the United States provides tacit support of Taiwan via a number of informal agreements made over the last several decades. Most importantly, the United States has pledged to Taiwan in the Six Assurances¹² and the Taiwan Relations Act that it would not officially recognize Taiwan as being under the PRC’s jurisdiction (instead leaving it up to “these Chinese themselves”¹³). The United States has also stated it would not cease weapon sales to Taiwan and that “the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense

¹⁰ <https://www.fimprc.gov.cn/ce/ceno/eng/ztxw/twwt/t110655.htm>

¹¹ <https://abcnews.go.com/International/china-face-reality-taiwans-independence-taiwanese-president-tsai/story>

¹² <http://www.taiwandocuments.org/tra01.htm>

¹³ <http://www.taiwandocuments.org/assurances.htm>



capability.¹⁴ The extensive informal ties between the United States and Taiwan is a contrast to the U.S.-Ukraine relations, as the countries have few analogous formal or informal agreements or alliances.

Furthermore, while the United States has made no pledge to guarantee a military defense of Taiwan in the case of an assault, there is a risk that an attempted invasion by the PRC will result in military conflict with the United States. Neither Taiwan, the PRC, or the United States would want that—particularly as the PRC's military has had significantly little-to-no modern combat experience. Even with the PRC's rapidly-modernizing military force, the lack of experience in comparison to the United States is significant enough to give pause to the idea of an easy victory.¹⁵

Issues with Military Operation Logistics

Even if the PRC attempts a military assault on Taiwan, logistics and geography mean any military operation would likely be an amphibious assault and fairly difficult. Taiwan's topography lends itself to more defensible positioning for Taiwan's military, despite its aging weapons arsenal and the PRC's recent updates to its military capabilities. Previous plans by other militaries for taking Taiwan have calculated a number of ground forces. This would be difficult for the PRC to support in a theoretical amphibious invasion, which is already known to be extremely complex. As previously mentioned, the PRC's military has had less modern combat experience, meaning that any assault on Taiwan would be a major test of unknown territory.^{16 17}

Global Response

Even if the PRC wishes to risk U.S. military involvement and attempt a tactically-difficult military offensive—and even if Taiwan's leadership decides to openly violate the One China Principle and therefore prompt the PRC to respond with force—the intensity and breadth of the current global response to Russia's Ukraine invasion may be a bellwether for what China would experience should it carry out such an operation. Consequences for China might include significant economic sanctions that could cripple the economy and intense condemnation impacting its political status and reputation. Should a Taiwan invasion be carried out, resistance from those within Taiwan to an offensive may result in a drawn-out conflict that makes China look poorly to both Taiwan and Chinese nationals—particularly as China has insisted that those opposing reunification in Taiwan are merely “separatist elements” and that reunification is the inevitable end result. Furthermore, following such an aggressive reunification, it will be significantly more difficult to quell any discontent or resistance within Taiwan to PRC rule, especially considering the fact that China has already had high levels of difficulty in “simple” peaceful reunification already in Hong Kong.

Economic Consequences For China

The prospect of a Western financial response to China like the united one seen against Russia is unlikely but worth exploring. The United States is the world's largest economy and biggest consumer. China is the world's second-largest economy and the largest trading partner with most nations worldwide, followed by the United States. Russia on the other hand contributes less than two percent to global GDP; while the country is a valuable commodity producer, the shortages induced by the invasion on Ukraine can be absorbed by the West. The Organization of Economic Cooperation and Development (OECD) predicts Russia's invasion of Ukraine will knock one percent off of global economic growth. A similar Western economic response to China would likely prompt an immediate and drastic global recession.¹⁸

¹⁴ [http://www\[.\]taiwandocuments\[.\]org/tra01.htm](http://www[.]taiwandocuments[.]org/tra01.htm)

¹⁵ [https://thediplomat\[.\]com/2021/04/chinas-military-has-a-hidden-weakness/](https://thediplomat[.]com/2021/04/chinas-military-has-a-hidden-weakness/)

¹⁶ [https://www\[.\]neweurope\[.\]eu/article/why-china-cannot-invade-taiwan/](https://www[.]neweurope[.]eu/article/why-china-cannot-invade-taiwan/)

¹⁷ [https://www\[.\]aljazeera\[.\]com/news/2021/12/13/a-full-chinese-invasion-of-taiwan-will-be-hard-says-ministry](https://www[.]aljazeera[.]com/news/2021/12/13/a-full-chinese-invasion-of-taiwan-will-be-hard-says-ministry)

¹⁸ <https://www.reuters.com/business/ukraine-crisis-could-cut-1-off-global-growth-this-year-oecd-2022-03-17/>



Chinese stocks suffered their worst day since the 2008 financial crisis on Monday March 14, 2022, after weekend reports that Russia asked China for military support. The Hang Seng China Enterprises Index dropped 7.2 percent, and the Hang Sang Tech Index dropped 11 percent. The drastic drop was in response to fears that greater Chinese support for Russia would bring backlash against firms operating in China and sanctions. On March 16, 2022, Chinese stocks regained most of their losses, and the Hang Seng China Enterprises Index was up 12.5 percent in its best session since October 2008. This came after U.S. intelligence reports that China did not countenance Russia's request for military aid and a significant financial policy statement from China vowing neutrality and stability regarding international finance. This underscores China's policy regarding Russia. While it will back Russia publicly and does share many of Russia's adversarial positions with regards to the United States, China is not prepared to risk the important trade relationship it has with the United States and the West—its largest and richest trading partner. These economic concerns will take prominence over China's commitment to the “no limits” relationship with Russia.



Source: <https://www.bloomberg.com/news/articles/2022-03-16/xi-spurs-frantic-stock-buying-with-lifeline-for-china-markets>

China's Unification Process Issues and the Failed Example of Hong Kong

China's strong insistence that Hong Kong and Taiwan are closely analogous cases is a crucial element in the PRC's strategy for reintegrating Taiwan on terms that China's leaders find acceptable. The Special Administrative Region (SAR) structure was designed to implement Deng Xiaoping's concept of “One Country, Two Systems,” which initially was devised to address Taiwan's reintegration. PRC authorities later adapted the SAR for Hong Kong. Beijing's long-standing position holds that the SAR form will be implemented as the vehicle for Taiwan's return to China.¹⁹

Additionally, three major protests took place in Hong Kong and Taiwan in recent years: the 2019 Hong Kong anti-extradition bill protests, the 2014 Umbrella Movement in Hong Kong, and the Sunflower Movement in Taiwan in 2014. Slogans such as “Today Hong Kong, Tomorrow Taiwan” (今日香港, 明日台湾) and “Hong Kong and Taiwan, we are together” (香港台灣, 我們在一起) were frequently utilized in these movements. The close ties between Hong Kong and Taiwan became common reference points in the broader political discourse

¹⁹<https://www.fpri.org/article/2002/08/bless-and-keep-the-sar-far-away-from-us-taiwans-hong-kong-phobia-five-years-on/>



about the future of China's relations with Hong Kong and Taiwan.²⁰ In the wake of intense anti-extradition protests within Hong Kong, the central government passed the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (HKSAR) through the Standing Committee of the National People's Congress on June 30, 2020. While China had reportedly assembled its People's Liberation Army forces along the Shenzhen-Hong Kong border to perform exercises, the military had never actually launched operations into Hong Kong despite the city's frequent and occasionally violent anti-government protests. This appears to indicate that, while the CPC is quite willing to regularly show off its military force to areas they considered problematic, thresholds for enacting an actual military campaign are significantly higher.

Recommendations

Rather than inspiring an imminent military invasion by China into Taiwan, the Russia-Ukraine conflict is more likely to have economic implications. Analyzing company risk exposure to Russia and its sanctions through the proxy of Chinese financial entities and corporations is more appropriate. While more risk-averse directives from the Chinese government indicate there is less chance of China seeking a military conflict or offering military support to Russia, it is a possibility that is still worth considering.

It is unclear as to whether China would utilize clandestine and potentially illicit methods to continue any economic support for its ally. Information available to the public would be relatively scarce, making it somewhat difficult to guarantee no risk exposure. With that in mind, ZeroFox recommends assessing trade partners in China for exposure risk with all available information, keeping tabs on Chinese policy announcements on working with sanctioned Russian entities, and watching for news regarding any possible secret assistance to Russia bypassing sanctions. It is also recommended that entities consider contingency planning for worst-case scenarios and seek non-Chinese alternatives for trade and financial services.

²⁰[https://globaltaiwan\[.\]org/wp-content/uploads/2020/08/GTI-A-Case-Study-of-Recent-Social-Movements-in-Hong-Kong-and-Taiwan-Aug-2020-final-2.pdf](https://globaltaiwan[.]org/wp-content/uploads/2020/08/GTI-A-Case-Study-of-Recent-Social-Movements-in-Hong-Kong-and-Taiwan-Aug-2020-final-2.pdf)



Appendix: Traffic-Light Protocol for Information Dissemination

Color	When Should It Be Used?	How May It Be Shared?
RED	Sources may use TLP: RED when information cannot be effectively acted upon by additional parties and could lead to impacts on a party's privacy, reputation, or operations if misused.	Recipients may not share TLP: RED with any parties outside of the specific exchange, meeting, or conversation in which it is originally disclosed.
AMBER	Sources may use the TLP: AMBER when information requires support to be effectively acted upon but carries risks to privacy, reputation, or operations if shared outside of the organizations involved.	Recipients may only share TLP: AMBER information with members of their own organization and only as widely as necessary to act on that information.
GREEN	Sources may use TLP: GREEN when information is useful for the awareness of all participating organizations, as well as with peers within the broader community or sector.	Recipients may share TLP: GREEN information with peers and partner organizations within their sector or community but not via publicly accessible channels.
WHITE	Sources may use TLP: WHITE when information carries minimal or no risk of misuse in accordance with applicable rules and procedures for public release.	TLP: WHITE information may be distributed without restriction, subject to copyright controls.

