



# China's response to the Ukraine crisis: Shaped by its relationship with Russia and EU under the US Shadow

**Angelin Archana**

*Assistant Professor, Women's Christian College, Chennai*

The ongoing Ukraine crisis throws up various questions, such as the role of China in Europe, the economic supply chain, and the future of the world order. Europe prefers the existing world order and status quo where it is economically dependent on China while being politically committed to the US and Ukraine's defence. However, China, the rising power, has other ideas. China replaced the US as Europe's largest trading partner in 2020 and is keen to maintain that position. It wants to export and attract more investment and significantly enhance its economic ties with Europe. This, therefore, raises the crucial question of who will compromise what to remain in their position against the backdrop of Europe pushing Ukraine's agenda as China talks on WTO-based economic cooperation.

Strategically, China is moving closer to Europe's periphery, exposing Europe's fragile solidarity and challenging Brussels's ability to limit Beijing. If China could sustain its vital interests, Europe will be faced with a drastic power shift. China's dissatisfaction with the US-led world order has made it ambitious enough to create a counter bloc with its mutual symbiotic relationship with Russia. This essay is based on the Power Transition theory, aiming to analyse a possible clash between the US as a dominant power and China as a rising power. What portends Europe as the closest ally of the US forms part of the analysis in the study.

## Introduction

China and Europe are the world's second and third largest economies that cooperate with each other to establish a rule-based free-market system, industrial innovations, and global governance.<sup>1</sup> Both China and Europe have pledged to work together to solve climate change issues. The history of China and Europe as trading partners dates back to 1975, when a bilateral trade agreement was established between China and European Economic Community (EEC). Over the past four decades, China has become an economic giant while Europe has evolved into a supra-national single market economy.<sup>2</sup>

European Union (EU) aims for four freedoms namely, the free movement of goods, services, labour, and capital with a single currency.<sup>3</sup> While, China also focuses on projecting a homogenous political system by curtailing its domestic issues in Xinjiang, economic

<sup>1</sup> Alicia-Herrero et al, "EU-China Economic Relations to 2025. Building a common future," *Bruegel*, 12 September 2017. <https://www.bruegel.org/book/eu-china-economic-relations-2025-building-common-future>

<sup>2</sup> "The People's Republic of China and the European Community," *Europe Information*, February 1979, [http://aei.pitt.edu/8242/1/31735055282226\\_1.pdf](http://aei.pitt.edu/8242/1/31735055282226_1.pdf)

<sup>3</sup> "Free Movement of capital, Fact Sheets on the European Union: European Parliament," *European Parliament*, 2022. <https://www.europarl.europa.eu/factsheets/en/sheet/39/free-movement-of-capital>

monopoly over Hong Kong, and keeping Taiwan in check.<sup>4</sup> Further, it condemns foreign attention in its domestic matters. Over the years, China has tried to create a positive image amongst the people through cultural exchange and soft power activities. Eventually, Beijing and Brussels did find common ground for cooperation through policies such as EU-China 2020 Strategic Agenda for Cooperation, Comprehensive Agreement on Investments, and EU strategy on China.<sup>5</sup>

### **Europe and China: An Overview of Political and Economic Ties**

In February 2022, the *Global Times* reported that the Chinese economy had surpassed the entire EU economy for the first time.<sup>6</sup> As the EU economy stagnated at USD 17 trillion, China's GDP increased by three trillion since 2020 and thus became a USD 17.7 trillion economy.<sup>7</sup> Britain's exit is another reason for China to overtake the EU. Meanwhile, in the first quarter of 2022, the China-Europe trade crossed USD 205 billion.<sup>8</sup>

Presently, China is the largest trading partner to Europe, and Europe is the third largest trading partner to China; the Netherlands is the largest importer, while Germany is the largest exporter to China.<sup>9</sup> The EU faces unfair competition with China due to the latter's overcapacity in production; the balance of payment in favour of China makes the EU market vulnerable to Chinese goods. Telecom equipment, data processors, and electrical kits are the major exports from China, whereas Europe exports cars and car manufacturing parts to China.

After the 2008 recession, Europeans started looking at China as an important economic partner, particularly, to restart its troubled economy.<sup>10</sup> This paved the way for diplomacy and multiple agreements. China was invited to invest in infrastructure, transport, and energy, by signing the 17 +1 agreement.<sup>11</sup> China also ambitiously commenced its Belt and Road Initiatives (BRI), constructing port and railways projects in Europe. It has become Europe's factory based on strength of its manufacturing sector; China controls 30 per cent of the global

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<sup>4</sup> Richard Bush, "Taiwan's democracy and the China challenge," *Brookings*, 22 January 2021, <https://www.brookings.edu/articles/taiwans-democracy-and-the-china-challenge/>

<sup>5</sup> "EU-China 2020 Strategic Agenda for Cooperation," *European Union External Action*, 23 November 2013. [https://www.eeas.europa.eu/delegations/china/eu-china-2020-strategic-agenda-cooperation\\_en](https://www.eeas.europa.eu/delegations/china/eu-china-2020-strategic-agenda-cooperation_en)

<sup>6</sup> "27-Member bloc's GDP falls behind that of China in 2021, EU data shows," *Global Times*, 09 June 2021, <https://www.globaltimes.cn/page/202202/1250282.shtml>

<sup>7</sup> "China's economy surpasses the European Union's for the first time," *TRT World*, 01 February 2022, <https://www.trtworld.com/magazine/china-s-economy-surpasses-the-european-union-s-for-the-first-time-54291>

<sup>8</sup> "China-EU trade hits \$205 billion in first three months of 2022," *Global Times*, 13 April 2022, <https://www.globaltimes.cn/page/202204/1259223.shtml>

<sup>9</sup> "China-EU – International Trade in goods statistics," *Eurostat*, March 2023, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics#:~:text=In%202021%2C%20China%20was%20the,of%20goods%20\(2.4%20%25\).&text=Among%20EU%20Member%20States%2C%20the,goods%20to%20China%20in%202021](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics#:~:text=In%202021%2C%20China%20was%20the,of%20goods%20(2.4%20%25).&text=Among%20EU%20Member%20States%2C%20the,goods%20to%20China%20in%202021)

<sup>10</sup> Erik Bratterg at al, "China's influence in Southeastern, central, and Eastern Europe: Vulnerabilities and Resilience in Four Countries," *Carnegie Endowment for International Peace*, 13 October 2021. <https://carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415>

<sup>11</sup> "EU-China Summit: Moving forward with our global partnership," *European Commission*, 02 June 2017. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_17\\_1524](https://ec.europa.eu/commission/presscorner/detail/en/IP_17_1524)

supply chain for European products.<sup>12</sup> In 2019, the UN Com trade noted that the EU relied on China for 659 crucial products out of 5,600 products.<sup>13</sup>

China's influence is highly visible in countries with weak political institutions. Its outreach focuses on influencing the public opinion on the country with significantly fewer counter-narratives or a lack of independent media or academicians to debate the outcomes. China also funds domestic narratives in these countries under its united front tactics. During the pandemic, China supplied aid to the European countries, which was highly politicized and accompanied by propaganda.

At the same time, Chinese diplomats also adopt wolf-warrior tactics with European countries.<sup>14</sup> China's economic tactic is evident in countries with weaker political institutions and fragile civil societies. It is similar in Central, South, and East Europe, notably, Greece, Hungary, Romania, and Georgia, most of which are EU member states, though it maintains a different relationship with the EU as a whole. China pushes its exports and investment in these countries, maintains political pressure, and creates a positive image; all four countries are key players in the Belt and Road Initiative.

### **For Instance**

In Greece, China's shipping company COSCO acquired significant stakes in the Port of Piraeus to support its regional logistics in the Mediterranean Sea as part of the maritime silk route. This strategic international transit hub links Europe, the Balkans, and the Middle East with China.<sup>15</sup> Similarly, China shares a highly favourable relationship with Hungary to the extent that Hungary supports China by blocking the EU statements on Hong Kong issues. Meanwhile, China aims to build a massive 1.5 billion Euros Fudan University campus in Hungary, which has now become a domestic issue.<sup>16</sup> Georgia enjoys tight security and political relations with China and has a free trade agreement with it.<sup>17</sup>

The history of connectivity between Europe and China dates back to the 1990s, the post-cold war period, and the NATO bombing of Serbia in 1999 when neo-Titoists started exploring non-European partners for trade.<sup>18</sup> The Pupin Bridge, constructed by China in 2014, is a landmark of Sino-Serbian relations.<sup>19</sup> The infrastructural relationship also extended further to rail construction and modernization of motorways. China is also committed to modernizing the Belgrade-Budapest rail link and Chinese companies are involved in steel and tyre

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<sup>12</sup> "Mapping and recalibrating Europe's economic interdependence with China," *Mercator Institute for China Studies*, 17 November 2020. <https://merics.org/en/report/mapping-and-recalibrating-europes-economic-interdependence-china>

<sup>13</sup> Ibid

<sup>14</sup> Peter Martin, "China's Wolf Warriors are turning the world against Beijing," *Bloomberg*, 08 June 2021. <https://www.bloomberg.com/news/articles/2021-06-08/china-s-wolf-warriors-are-turning-the-world-against-beijing>

<sup>15</sup> George Georgiopoulos, "China's COSCO acquires 51 pct stake in Greece's Piraeus Port," *Reuters*, 10 August 2016. <https://www.reuters.com/article/greece-privatisation-port-idUKL8N1AR252>

<sup>16</sup> Callan Quinn, "The battles over €1.5 billion Chinese university campus," *The Pie News*, 23 July 2021. <https://thepienews.com/analysis/the-battle-over-hungarys-e1-5-billion-chinese-university-campus/>

<sup>17</sup> "People's republic of China-Georgia Free Trade Agreement," *Asia Regional Integration Center*, 01 January 2018. <https://aric.adb.org/fta/peoples-republic-of-china-georgia-free-trade-agreement>

<sup>18</sup> Aleka Djilas, "Bombing to bring peace," *Wilson Center*, 2022. <https://www.wilsoncenter.org/publication/220-bombing-to-bring-peace>

<sup>19</sup> "Mapping China's rise in the Western Balkans," *European Council on Foreign Relations*, September 2020. <https://ecfr.eu/special/china-balkans/serbia/>

production in Serbia. Belgrade's smart city project by Huawei is China's primary outreach in the region.<sup>20</sup>

### **Security Dialogues**

Through the Strategic Agenda for Cooperation adopted in 2020, the Sino-European Security dialogues were initiated.<sup>21</sup> The primary agenda was to restore international peace through everyday engagement in North Korea, Afghanistan and Syria. The common grounds of discussion were the freedom of navigation in the South China Sea and peaceful settlement of disputes, disarmament, non-proliferation, counter-terrorism, and cyberspace. EU continues to maintain a strong relationship with Hong Kong, Taiwan, and Macao through one country and two system principles. Human rights and fundamental freedom are the core issue. Climate change has been extensively discussed since the 2015 EU-China Joint Statement on Climate Change, where the EU encourages China to increase its commitment to Paris Agreement. Clean energy is the central idea of the discussion. Europe viewed China's BRI positively and emphasized incorporating climate-smart infrastructures.<sup>22</sup>

Notwithstanding the Chinese political, economic, and security engagement with the EU as a whole and specific countries, in particular, the relationship has also been dotted with challenging moments and crisis flashpoints.

### **Irritants in China-Europe Relations**

China-EU relations hit a low point during their summits in 2016 and 2017 when the EU drafted a strongly worded white paper on human rights and mutual benefits, thus shifting from engagement and cooperation to attention and rivalry. Recently, China annoyed the EU by cutting ties with its member country, Lithuania. EU retaliated by holding on to investments over Chinese human rights violations.<sup>23</sup> In 2019, the EU released its EU-China: A strategic outlook in which it claimed the relationship was tilting towards challenges and termed China as a systemic rivalry instead of a partner.<sup>24</sup>

The EU perceives that Chinese companies play unfairly in competition and Chinese companies are also worried about the EU imposing anti-dumping and countervailing duties on their imports. The BRI has not been as successful as expected, and there is a perceptible shift back to the US-led liberal world order since the relationship between China and the EU became strained.

Further, public opinion about China has changed since the pandemic. In addition, given the current diplomatic relationship between China and Europe revolving around the ongoing Russia-Ukraine crisis, cracks in the relationship are more visible.

### **China-Ukraine Relations**

Ukraine, a country located at the crossroads between Asia and Europe, with vast steppe-like zones and a moderate climate to produce primary commodities, naturally attracts China to

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<sup>20</sup> Alessandra Briganti, "Serbia's smart city has become a political flashpoint," *Wired*, 10 August 2021.

<https://www.wired.co.uk/article/belgrade-huawei-cameras>

<sup>21</sup> "EU-China 2020 Strategic Agenda for Cooperation," *EEAS.Europe*, 2020

[https://eeas.europa.eu/archives/docs/china/docs/eu-china\\_2020\\_strategic\\_agenda\\_en.pdf](https://eeas.europa.eu/archives/docs/china/docs/eu-china_2020_strategic_agenda_en.pdf)

<sup>22</sup> "EU-China Joint Statement on Climate Change," 29 June 2015.

<https://www.consilium.europa.eu/media/23733/150629-eu-china-climate-statement-doc.pdf>

<sup>23</sup> Stuart Lau, "How little Lithuania dragged the EU into its showdown with China," *Politico*, 06 October 2021.

<https://www.politico.eu/article/lithuania-china-showdown-eu-impact/>

<sup>24</sup> Andrew Small, the meaning of systemic rivalry: Europe and China beyond the pandemic, *European Council on Foreign Relations*, 13 May 2020.

[https://ecfr.eu/publication/the\\_meaning\\_of\\_systemic\\_rivalry\\_europe\\_and\\_china\\_beyond\\_the\\_pandemic/](https://ecfr.eu/publication/the_meaning_of_systemic_rivalry_europe_and_china_beyond_the_pandemic/)

engage bilaterally. The China-Ukraine BRI agreement came was signed in 2017, promising infrastructural developments and modernization worth USD three billion.<sup>25</sup> Ever since Chinese companies such as COFCO corps, China Pacific Construction Group, China Harbour Engineering Co, and Huawei technologies have been engaging with the country. Both countries aim to make Ukraine a bridge to the European world. Another significant benefit is that Ukraine has a free trade agreement with the EU, which act as a transit to China.<sup>26</sup>

In 2013, the Chinese Xinjiang Construction and Production Corps, (a state-owned paramilitary organization also known as Bingtuan), signed an agreement with Ukraine's KSG Agro to lease 100,000 hectares of agricultural land for 50 years for cultivation and pig farming.<sup>27</sup>

In 2019, China replaced Russia as Ukraine's largest trading partner while becoming the major importer of barley and iron ore, while Ukraine replaced the US in corn exports to China in the wake of trade wars. The agricultural trade between the countries increased by 33 per cent in 2021.<sup>28</sup>

Huawei won a contract in 2019 to build a 4G network in the Kyiv subway, and both countries also agreed to work together on cybersecurity and cyber-defence issues.<sup>29</sup> Ukraine is the second-largest arms supplier to China and China's first aircraft carrier, the Liaoning, also called Varyag during the soviet era, was traded from Ukraine and refurbished.<sup>30</sup> Ukraine had been supplying China with soviet technology-based turbofan engines for aircraft, diesel engines for tanks, and gas turbines for air-to-air missiles. China also imports most of Ukraine's uranium. PowerChina is also engaged in building renewable energy, such as wind farms for USD one billion, which will be Europe's largest onshore wind facility. It has also signed for a solar power array, which will be the third largest in Europe. China has already built ten solar plants in Ukraine.<sup>31</sup>

China-Ukraine relations were so strong that Kyiv, in June 2021, withdrew from the US-led coalition of 40 countries accusing China of human rights violence in Xinjiang.<sup>32</sup> The growing US-China tension hindered China from acquiring the shares in Motor Sich by Beijing Skyrizon Aviation, which manufactures engines and aircraft. Motor Sich had been equipping

<sup>25</sup> "Interview: China, Ukraine have broad prospects for BRI cooperation, says Ukrainian economist," *Xinhua*, 17 January 2022. <https://english.news.cn/europe/20220107/199a78fc8f414760b22610a597c80762/c.html>

<sup>26</sup> Elizabeth Wishnick, "Ukraine: China's Burning Bridge to Europe?," *The Diplomat*, 02 February 2022. <https://thediplomat.com/2022/02/ukraine-chinas-burning-bridge-to-europe/>

<sup>27</sup> Ibid

<sup>28</sup> Valerio Fabbri, "China's trade with Ukraine and the ongoing war," *Geopolitica*, 11 April 2022. <https://www.geopolitica.info/china-trade-with-ukraine-ongoing-war/>

<sup>29</sup> Maria Shagina Huawei, "Ukraine's Cybersecurity: A narrowing space for Kyiv to negotiate," *Wilson Center*, 16 November 2020. <https://www.wilsoncenter.org/blog-post/huawei-and-ukraines-cybersecurity-narrowing-space-kyiv-negotiate>

<sup>30</sup> "India is central to US' vision for a free and open Indo-Pacific: senior Pentagon official," *The Economic Times*, 05 July 2021. <https://economictimes.indiatimes.com/news/defence/how-deceit-was-built-into-chinas-first-aircraft-carrier/articleshow/84111960.cms>

<sup>31</sup> "Foreign Ministry Spokesperson's Remarks on Ukraine's Withdrawal of Endorsement of the Anti-China Joint Statement Made at the 47th Session of the Human Rights Council," *Ministry of Foreign Affairs of the People's Republic of China*, 26 May 2021. [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2535\\_665405/202106/t20210626\\_917082\\_9.html](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2535_665405/202106/t20210626_917082_9.html)

<sup>32</sup> Dan De Luce and Veronika Melkozerova, "Fed up with the US, Ukraine cuts deals with China and Shut up about the Uighurs," *NBCNews*, 29 July 2021. <https://www.nbcnews.com/news/world/fed-u-s-ukraine-cuts-deals-china-shuts-about-uyghurs-n1275192>

technology in Russia before the Crimean crisis in 2014. Under pressure from the Biden administration, the company was taken over as a State asset and the US also sanctioned Skyrizon.<sup>33</sup>

The Mykolaiv Port (formerly known as Nikolaev Port), built-in 1862, is one of the critical areas of the COFCO's investment. Economically, it is Ukraine's most essential port through which it exports seeds, grains, and other goods.<sup>34</sup> Ukraine sends sunflower oil, wheat, barley, corn, and other food commodities to China from here. In 2016, the COFCO built grain and oil transfer terminals at the cost of USD 75 million in the Mykolaiv Port. In 2017, China upgraded Ukraine's busiest port Yuzhny. Its contracts have been extended to build various subway lines worth billions of dollars. In 2018, COFCO invested USD 50 million in Mariupol port for agricultural transshipment and is involved in the Chernomorsh port up-gradation.<sup>35</sup>

### **Russia-Ukraine Crisis**

The trade between China and Ukraine is USD 15.4 billion and China has invested only USD 127 million in Ukraine since 2015. As an immediate response to the war, China suspended ongoing projects and evacuated 6000 Chinese citizens.<sup>36</sup>

Currently, the China-Russia relationship is at all-time high. China has accused the NATO enlargement and US aggression of essentially pushing Russia to conduct military operations in Ukraine. It has made it clear that it will not be part of the sanctions against Russia and is committed to buying energy and weapons from Russia.

The EU has criticized China's stand on the ongoing Russian-Ukraine crisis. Brussels wants Beijing to condemn the Russian aggression while Beijing supports Russian claims of NATO's belligerence in the region. The EU also wants China to acknowledge the destruction of Ukrainian cities, rising death tolls, refugee movement toward Western Europe, and the changes in the geography of Europe due to the Russian invasion. It also condemns Chinese involvement in delivering weapons to Russia and its concerned it will lead to World War III. China, on the contrary, has projected the threat perception due to the expansion of the US presence in the Indo-Pacific region, evidenced by NATO's growth in Eastern Europe. China is equally concerned about the QUAD and AUKUS expansion and its military capabilities. Nevertheless, China is trying to balance its relationship with Russia, Ukraine, the EU, and the US, as has not claimed party to the war or the conflict. Moreover, independent of the EU, China wants to continue its economic and military engagement with Russia and Ukraine. Against the background, Sino-European relations are set to become increasingly unstable due to the US involvement, and deteriorating years of proactive cooperation. The stepping back of the US as the global leader and the European continent is a rising concern to China. The US was the largest trading partner to Europe before the pandemic; it predominantly imported aerospace parts and products, mineral fuels, and different types of machinery.<sup>37</sup> However,

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<sup>33</sup> Snehes Philip, "China plan to acquire jet engine firm hit as Ukraine set to nationalise it under US pressure," *The Print*, 18 March 2021. <https://theprint.in/world/china-plan-to-acquire-jet-engine-firm-hit-as-ukraine-set-to-nationalise-it-under-us-pressure/624228/>

<sup>34</sup> "History and Development," *Nibulon*, 2020. <https://www.nibulon.com/data/our-company/history-and-development.html>

<sup>35</sup> Alexander Query, "China to invest over \$50 million in port city of Mariupol," *Kyiv Post*, 29 October 2019. <https://www.kyivpost.com/business/china-to-invest-over-50-million-in-port-city-of-mariupol.html>

<sup>36</sup> "Is Ukraine really pivoting towards China?," *Choice*, 05 September 2022. <https://chinaobservers.eu/is-ukraine-really-pivoting-towards-china/>

<sup>37</sup> Mrinalini Krishna, "How much does the US Trade with the EU," *Investopedia*, 19 November 2021. <https://www.investopedia.com/investing/how-much-does-us-trade-eu/>

Europe is now critically dependent on 103 Chinese consumer products such as pharmaceuticals, chemicals, and electronics.<sup>38</sup>

Since the end of the Cold War, the Sino-European relationship was overshadowed by the US and never independent even as the US engaged in collaborative measures with China, Europe followed the same suit. In recent years, US's containment strategy had caught Europe between great-power competitions. The Trump era provided a vacuum over this hegemonic diplomacy between China-Europe, and China tried to intensify its political commitments. However, the Russia-Ukraine conflict has shifted the balance, and Europe is keenly committed to the US in political ideology.

Even before the Ukraine Crisis, the EU has started moving away from China as the pandemic exposed the EU's over-dependency on Chinese supply chains. While the EU is currently rethinking its economic cooperation with China, China is vying for significant economic collaboration and voicing unresolved issues such as lack of market access and state subsidies. A cluster of corporates is also relying on the Chinese market for investments. Despite EU's solidarity claims, there are several levels of asymmetric relationships between the EU member states and China. This could create a political imbalance in the future.

### **China, the US, and the theory of power transition**

The power transition theory proposed by Organski has become one of the most convincing models for witnessing state interaction in the European continent. Organski criticized the balance of power theory, where states seek maximum power; however, there is a powerful state that ensures that the other states do not become powerful enough. Organski analyzed the balance of power theory and claimed that it does not create peace when powerful states refuse to align with the weaker state during disputes or when the balancer chooses aside. These fallacies of the theory led to the rise of power transition theory, where a dominant power is challenged by a rising dissatisfied power. However, Organski explains the world order in terms of a hierarchy rather than anarchy.<sup>39</sup>

The Ukraine-Russia crisis is an indicator of the failure of the balance of power in the international system. The dominant hierarchical player controls the international order, below which great powers, middle powers, and small powers align in the power pyramid, and the status quo remains to the satisfaction of the dominant player. Russia is a significant power player that lost the status quo to the dominant player.

Douglas Lemke made an enormous contribution to the hierarchical theory of power transition by explaining it through the lens of parity and war. Here, power is not analysed within the international system but rather at the regional level. Hierarchy exists in every region, establishing a small hierarchical structure that acts similar to the global system, the international system, therefore, consists of multiple-hierarchical models, where small hierarchies have no influence beyond their region.<sup>40</sup>

<sup>38</sup> "Mapping and recalibrating Europe's economic interdependence with China," *Mercator Institute for China Studies*, 17 November 2020, <https://merics.org/en/report/mapping-and-recalibrating-europes-economic-interdependence-china>

<sup>39</sup> Oxford Bibliographies, <https://www.oxfordbibliographies.com/view/document/obo-9780199743292/obo-9780199743292-0038.xml>

<sup>40</sup> Ronalf Tammen, "Foundation of Power Transition Theory," *Politics-Oxford Research Encyclopedias*, 26 October 2017. <https://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-296>

Russia is a dominant regional player that cannot be denied. The European dependency on Russian hydro-carbons puts Russia at the top of the pyramid in the regional hierarchical structure. Lemke explains that dominant regional players such as Russia cannot influence global politics, while dominant global powers like the US can influence regional politics. Russia has gone further to even influence China and the Middle East in terms of oil policies, thus lying in a grey area, but China is still finding ways to project dominance in the region, as it has not committed any hard power interaction, not even to Russia.

Lemke's theory further expanded to provide an understanding of the status quo, where peace is maintained through a satisfied preponderance of power. Nevertheless, the dissatisfied states will become powerful enough to challenge the dominant state and the status quo of the international order. In Organski's words, if the rise of the challenger is rapid, if the dominant player is inflexible in policies, without traditional friendship between the challenger and dominant player, the challenger will try to replace the existing international order. There are factors such as parity and status quo, which determine the power transition.<sup>41</sup>

Parity is a critical aspect of power transition because it summarises the possibilities of conflict, with the dissatisfaction and status quo, which is substantiated by differential growth rates. Changes in the growth rate, especially the economy of a rising state, will influence the probability of war. It is also associated with the speed of growth, the faster the economic growth quicker the possibilities of war, while slower economic growth decreases the chances of war. A relative rate of growth determines satisfaction with the status quo.

Armament is one factor that denotes satisfaction and dissatisfaction. Werner and Kugler state that the challenger will raise the military expenditure to overtake the dominant state.<sup>42</sup> China had been trying to overtake the US economically and militarily. However, China needs Europe for its economic ambitions. China officially has more naval vessels than the US, and it is also investing heavily in newer military technology to exceed the US.

Parity and power transition will lead to three scenarios, the rival state achieving parity with the dominant state, challenging the dominant through the military build-up, and finally, commitment to challenging the dominant order.

### **Challenging the Dominant Player**

Analysing the first scenario, China had been challenging the US in the Indo-Pacific region, and it supported Russia through political assurances in the European Continent. It has stationed weapons in Serbia and economic cooperation had helped Russia Challenge the EU bloc.<sup>43</sup>

However, Werner and Kugler claim that war becomes likely only in case of the military build-up exceeding the dominant player,<sup>44</sup> which has not happened yet, thus, reducing the possibility of confrontation. However, in the current crisis in Ukraine, both countries have been engaging through proxies. Despite its enormous stockpile of weapons, Russia has still suffered extensively in the war, as wars no longer follow the traditional asymmetric heavy ground-based offensive weapons. The US can still build more lightweight, sophisticated

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<sup>41</sup> Ibid

<sup>42</sup> Charles Koch, "Testing the Power Transition Theory with Relative Military Power," *Journal of Strategic Security*, 2021. <https://digitalcommons.usf.edu/cgi/viewcontent.cgi?article=1884&context=jss>

<sup>43</sup> "Russian Connection," *WION*, 01 May 2022. <https://www.wionews.com/photos/serbias-buys-chinese-missiles-europes-russian-connection-475416#serbia-buys-chinese-made-surface-to-air-missiles-475391>

<sup>44</sup> Charles Koch, "Testing the Power Transition Theory with Relative Military Power," *Journal of Strategic Security*, 2021. <https://digitalcommons.usf.edu/cgi/viewcontent.cgi?article=1884&context=jss>

weapons to protect its NATO allies. China is learning about the western military from the war. Therefore, Russian and China claim it to be a special operation and not a war. At the same time, for the US, this is an opportunity to contest its opponent without sending its soldiers, thus it encourages Ukraine, an expensive pawn to challenge Russia backed by China.

### **Military Build-up and Military Alliances**

There is a drastic military build on all sides. US and NATO members have been increasing their military spending since 2017 and have pledged to spend more.<sup>45</sup> At the same time, Russia is investing in new technologies such as hypersonic missiles, radioactive, laser, electromagnetic, and nuclear weapons. Additionally, China is beginning to weaponize Europe by delivering its first missiles to Serbia.

Lemke also includes alliance as one of the external determinants of power, where the state continues to influence and improve the war's outcome.<sup>46</sup> Chinese Military support to select European countries need to be seen in this context. Kim studied the army size, population, and sea power of different countries to analyse the possibility of war based on the alliances and flags four variables such as alliance transition, alliance growth rate, alliance equality, and dissatisfaction.<sup>47</sup>

NATO as a collective front is more prominent in terms of arms size and population. The alliance has transited from the cold war ideology to the contemporary goal of weakening Russia. In recent decades, Ukraine has shown strong resistance due to the supply of weapons from NATO countries. The alliance had been growing since the 1990s and has been the point of contestation between the West and East. However, there is no consensus within the alliance and countries such as France and Germany have expressed their dissatisfaction, while countries like Hungary and Turkey have objected to the expansion of NATO.<sup>48</sup>

US and NATO may project to be at the centre of global politics, but President Xi does not want to get involved in any full-scale war as for him, the priority is China's economic stability. China cannot afford to lose its economically wealthy European partner.

This had made Russia revive the inactive Collective Security Treaty Organization. Subsequently, China planned to strengthen its military cooperation two months after the Russian invasion. The Russian-Chinese army alliance is set to counterbalance NATO and AUKUZ. The alliance transition, growth rate, equality, and dissatisfaction with western powers are high. A prolonged Ukraine war will witness the consolidation of the China-Russia military alliance.

### **Challenging the World Order**

China supports Russia's military build-up of armament and war against the dominant player. War alone is not a justifiable argument for power transition; while it is the final stage of differences in opinion, states do face earlier stages of rivalry through conflicting interests.

<sup>45</sup> "Defence Expenditure of NATO countries (2014-2021)," *NATO Public Diplomacy Division*, 11 June 2021. [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2021/6/pdf/210611-pr-2021-094-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2021/6/pdf/210611-pr-2021-094-en.pdf)

<sup>46</sup> Ronalf Tammen, "Foundation of Power Transition Theory," *Politics-Oxford Research Encyclopedias*, 26 October 2017. <https://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-296>

<sup>47</sup> Ronalf Tammen, "Foundation of Power Transition Theory," *Politics-Oxford Research Encyclopedias*, 26 October 2017. <https://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-296>

<sup>48</sup> Sten Rynning, "The Divide: France, Germany and Political NATO," *International Affairs*, 2017. [https://www.chathamhouse.org/sites/default/files/publications/ia/INTA93\\_2\\_02\\_Rynning.pdf](https://www.chathamhouse.org/sites/default/files/publications/ia/INTA93_2_02_Rynning.pdf)

Central to the conflict here is American hegemonic behaviour and ever-changing national interests, which have clashed with Russian and Chinese interests in recent years. Thus, the Sino-Russian partnership is trying to create an alternative world order which would have lesser American influence.

When President Putin met President Xi Jinping during the Winter Olympics in February 2022, both leaders declared that there were no forbidden areas of cooperation, and hours later released a 5000-word communique for a new era of China-Russia cooperation.<sup>49</sup> President Xi openly backed Putin's dissatisfaction over NATO activities in the European continent. With US President Biden boycotting the Winter Olympics, President Xi's claimed that there was no room for the US in the new world order.<sup>50</sup>

In March 2022, during his visit to Huangshan, the Russian Foreign Minister called for building a new multipolar democratic world order (a democracy of their terms) with China. The Chinese Foreign Ministry spokesperson Wang Wenbin also confirmed that Moscow and Beijing are advancing global multi-polarity and the democratization of international relations.<sup>51</sup> Australian Prime Minister Scott Morrison who responded by saying, "a new arc of autocracy instinctively aligns to challenge and reset the world order in their image".<sup>52</sup>

*China Daily* termed Washington's actions as "reckless war-mongering" to provoke Russia and China through hegemonic and bullying practices.<sup>53</sup> These countries claim that the world order should be based on parity which is outlined by the UN charter and insist on an economic model based on WTO principles. Rising powers are expressing an apparent dissatisfaction over the dominant player, who does not appear obliged over these multipolar norms. It shows that the dominant player either lost these international obligations or the rising powers has an opportunity to leverage these principles.

China and Russia, also want to redefine the meaning of democracy and human rights through their legitimate ways as the Western democracies have had a setback during the pandemic. Therefore, both countries are not just trying to reshape economic, military, and technology models but also values, norms, rules, and standards. Moscow and Beijing claimed not to be a threat to democracy and freedom. Politically, Moscow is delivering new ideas of democracy by giving it a new shade where people can choose the methods of implementing democracy based on their socio-economic structure, history, tradition, and cultural characteristics confined to that state in justifying its autocracy.<sup>54</sup> Thus, in the current context, it is doubtful whether the US can tackle both China and Russia, and the US is gathering all its supporters where Europe will play a key role.

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<sup>49</sup> "Russia and China announce a bid to make the world safe for dictatorship," *The Washington Post*, 01 February 2022. <https://www.washingtonpost.com/opinions/2022/02/07/putin-xi-the-dictators-meet-at-olympics/>

<sup>50</sup> Victor Cha, "The Biden Boycott of the 2022 Beijing Winter Olympics," *Center for Strategic & International Studies*, 18 January 2022, <https://www.csis.org/analysis/biden-boycott-2022-beijing-winter-olympics>

<sup>51</sup> "China and Russia to promote democratization of International Relations-Chinese Diplomat," *Russian News Agency*, 30 March 2022, <https://tass.com/world/1429511>

<sup>52</sup> Daniel Hurst, "Morrison decries "arc of autocracy" reshaping world as he pledges to build nuclear submarine base," *The Guardian*, 06 March 2022, <https://www.theguardian.com/australia-news/2022/mar/07/morrison-decries-arc-of-autocracy-reshaping-world-as-he-pledges-to-build-nuclear-submarine-base>

<sup>53</sup> "US will also pay heavy cost if it persists with its myopic belligerence," *China daily*, 09 February 2022. <https://www.chinadailyasia.com/epaper/pubs//chinadaily/2022/02/09/09.pdf>

<sup>54</sup> "Russia says its building a new democratic world order with China," *CBS News*, 2002. <https://www.cbsnews.com/news/russia-china-lavrov-visit-beijing-vladimir-putin-xi-jinping-new-world-order/>

The US-led war in Europe is exposing and exhausting the weapon and tactic system used by the western powers, as China observes closely the western military capabilities. The conflict in Ukraine is projecting the weak spots in the European political system which China can utilize to influence the region.

Another key aspect here is the distribution of information. Rivalry and parity of the state's satisfaction and status quo are maintained by the amount of information shared in the international system. The international system needs the spread of information to interpret the power and assess the state based on its technology, resources, nature, and capability. Misinformation, false information, and insufficient information play a significant role in the international system. Earlier in 2022, the EU banned the Russian state media for spreading misinformation on the war.<sup>55</sup> Equally, the western media-industrial complex presents the Ukraine war as packed with emotions and sentiments rather than facts.

Robert Gilpin explains the concept of prestige in his work, we can see it in the actions of Russia and China who use their reputation for power and compete in the hierarchy of prestige in the international system. China had made significant inroads into the reputation of power in Europe in economic and political terms. Gilpin also posits the hegemonic stability theory where the post-world war world order was created by political and economic integration, under the US- Europe dominance in the liberal world order, when the US-controlled half of the world's industrial production. Today, the US cannot stabilize this international system alone and needs political support for market stabilization through multi-lateral institutions for which it provides a defence cover to Europe and Japan. It no longer controls half of the global production and is facing a crisis of global leadership. The western bloc has become the net importer and trade deficit country. While on the other hand, China has emerged as a trade surplus country along with Russia, which is also a trade surplus in terms of energy.

The outcome of the challenges to the current world order will be determined by the advancement of technology. Since the war began Russia, China, and the US have displayed technological innovation, especially in military science. The future leadership of the world will lie in the production, distribution, and consumption of large-scale artificial intelligence, robotics, and related technologies. The industrial-technological base will determine the hierarchy. China and the US have the resources to spend on AI and will seek to woo Europe.

### **Conclusion**

Since the beginning of the war, inflation had been witnessed around the world. The sanctions imposed on the Russian economy did have a ripple effect on the European markets. Some predict it might lead to a recession due to high inflation.

In 2008, when the Mediterranean countries faced economic hardship and devalued their currencies, Germany continued to grow stronger. However, the present sanction on Russia's oils and gas can suffocate Germany and weaken Europe's economy further.

The economic growth in the region was only 0.2 per cent in the first quarter of 2022, as the European bloc has not fully recovered from the pandemic-induced economic shocks.

Meanwhile, in early 2022, more than 600 European firms that are headquartered in Shanghai, went under lockdown following a fresh virus outbreak and China's zero-covid policy.<sup>56</sup> This

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<sup>55</sup> "RT and Sputnik: Kremlin-backed media evading EU ban on content, says report," *Euronews*, 06 May 2022. <https://www.euronews.com/my-europe/2022/05/04/rt-and-sputnik-kremlin-backed-media-evading-eu-ban-on-content-says-report>.

<sup>56</sup> "Shanghai lockdown: European firms face 'logistical nightmare', says business group," *BBC*, 21 April 2022. <https://www.bbc.com/news/business-61158566>.

disrupted the supply chain to Europe even, as the ocean and air freight movements dropped to critical levels since the beginning of the COVID-19 outbreak.

The port city of Shenzhen has also been closed while Zhengzhou, the gateway of air freight is part of areas where restrictions have been imposed by the Chinese government. The EU Chamber of Commerce in China had declared that 1000 businesses are facing supply shortages in Europe thus, giving rise to uncertainty.

The European stock market was closing flat in the third week of May due to the supply chain problem. However, the stock market fared better in Asia despite the fear of recession.

China's restricting lockdown measures have slowed down the European economy triggering a recession. Along with the war in Ukraine, an increase in energy prices, an upcoming shortage in food supplies, and China's zero COVID-19 policy, which de-prioritizes the economy over socio-political issues, have resulted in stagflation and high inflation of 7.5 per cent in March. European governments are also under constant pressure to increase their defense spending which had made countries compromise on social needs. The CEO of BlueChip claims that the company is expecting a recession to hit Europe while the CEO of Bosch warns that all the above factors, the Chinese lockdown will have more impact on businesses as the supply crisis will lead to a demand crisis that will eventually result in a recession. The Deutsche Bank and Goldman Sachs have voiced similar concerns.<sup>57</sup>

On the other hand, the sanctions have made Russia and China close. Both countries would like to de-dollarize trade mechanisms; incorporating alternative currencies in trade usage, will reduce the dependence on the USD. Russia and China survived the US sanctions in 2014 after the Russian annexation of Crimea. China is gaining opportunities to boost Renminbi reserves and this could further spread to the multi-lateral institutions such as BRICS, SCO, and Eurasian Economic.

Europe is the largest Chinese Yuan (CNY) market outside Hong Kong. UK is the biggest player in the CNY market. China had been artificially halting to mandatorily increasing goods and services from Europe. However, given China's move towards internationalization of the Renminbi, to increase CNY convertibility, Europe is the prime target.

China is also planning for a digital currency that is expected to replace the USD medium of exchange in international transactions. The sanctions on Russia and threatening China to be sanctioned are driving the Russia-China partnership to replace the USD currency as an international medium of transactions, it can be assumed that the Chinese digital currency will have the potential to do so.

In the ongoing crisis in Ukraine, China has maintained neutrality and expressed its readiness to facilitate cease-fire negotiations. Against the background of its continuing partnership with Russia and its advantageous economic relationship with the EU, it might take some time for China to confront the US openly. Its priorities ahead would be to boost its cooperation with Russia to tackle Europe and US. Its strategies for Ukraine would be shaped by these priorities.

### **About the author**

The author is an Assistant Professor at the Women's Christian College, Chennai

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<sup>57</sup> Elliot Smith, "Deutsche Bank CEO warns recession is inevitable, says Germany must cut reliance on China," *CNBC Bank*, 07 September 2022, <https://www.cnbc.com/2022/09/07/deutsche-bank-ceo-warns-of-recession-says-germany-must-cut-china-reliance.html>