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## **Analysis on the Russian-Ukrainian Situation**

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**Provided by:**



While the Russia and Ukraine situation is evolving, here is some analysis based on the situation dated March 3<sup>rd</sup> focusing on China's stance, potential impact on future changes in the world pattern and in particular the impact of the Ukrainian crisis on China's geopolitical and economic environment.

1. China has major economic investments and interests in both Russia and Ukraine, and China believes peace brings wealth. Therefore, the last thing China wanted to see is the two sides to go to war. China hoped that the two sides would return to the negotiating table as soon as possible to reach a peace agreement. The longer this war drags on, the worse it will be for Russia.

The changes in Ukraine over the past week is summarized as follow:

<b>1<sup>st</sup> Day</b>	<b>2<sup>nd</sup> Day</b>	<b>3<sup>rd</sup> Day</b>	<b>4<sup>th</sup> Day</b>	<b>5<sup>th</sup> Day</b>	<b>6<sup>th</sup> Day</b>	<b>7<sup>th</sup> Day</b>
Shocked	Puzzled	Awakened	Reorganize	Start Patriotic war	Peace negotiation	Ukraine has strengthened its will to fight

The longer it drags on, the worse for Russia as the Russian army may fall into a war with the Ukrainian people.

2. Although China maintains a neutral stance, Chinese leaders have made it clear in many statements that the sovereignty and territorial integrity of each country must be respected, and there should not be armed violation of another sovereign country under any pretext, such as the security of one's own country. This is the bottom line for Chinese foreign policy. At present, the Chinese government is most concerned about protecting the Chinese citizens and their property in Ukraine and is organizing the evacuation of the Chinese citizens from Ukraine.
3. Apart from the first reason, China's neutral stance is also related to China's domestic economic and political situation. At present, China's economy is under great

downward pressure, while facing the 20<sup>th</sup> National Congress of the Communist Party of China (CPC), it is particularly necessary to have a stable political, economic, social and international environment. In order to stabilize the downward pressure on the economy, China must mobilize the resources of private and foreign-invested enterprises, which constitute two-thirds of China's economy. To this end, China is vigorously improving the business environment for private and foreign-invested enterprises.

4. In considering the prospects of the war, besides military considerations, the culture of the Russian nation and Putin's personality must be taken into account as important factors. For this nation, sanctions may have little effect, and external pressures are more likely to arouse domestic emotion of resistance.
5. The Russian-Ukrainian war is in essence a Russian war against the entire Western world. From the perspective of economic strength, the Russian economy accounts for about 2% of the global GDP, while the Europe and the US account for 50% of the global GDP. The power is absolutely unequal. The longer the war drags on, the worse it is for Russia. Of course, sanctions themselves are a double-edged sword too, "to injure one thousand enemies while one loses eight hundred soldiers." Europe is also enduring the pain caused by sanctions on Russia.
6. If the war drags on, it will also raise the possibility that large-scale anti-war actions will take place in Russia. In that scenario, either the opposition will stop the war, or the war will greatly weaken Russia.
7. Forecast on future changes in the world pattern
  - 7.1 Global energy security is more tense. The global economic pattern based on energy will be changed dramatically.
  - 7.2 Germany takes this opportunity to re-arm militarily. The military spending rose to 2% of German GDP. The European pattern since the World War II will be changed.
  - 7.3 Russia's international status will decline significantly, and the joint force of Russia-China cooperation will also be negatively impacted. On the contrary, the US and its alliance, EU and NATO will be getting united and stronger. Such geopolitics is not necessarily in China's favor.
8. Regarding Taiwan. The relation between China's mainland and Taiwan is a continuation of the civil war, while the Russian-Ukrainian war is the use of force by a great power to violate the sovereignty and territorial integrity of another country. They are different in nature.

Still, China will learn from Russia's lessons. Once there is war in the Taiwan Strait, China will inevitably get economic sanctions and be condemned by western media as well as widespread international public opinion. This will interrupt the modernization process by reform and opening up. China will be very cautiously to consider use force against Taiwan. and should reinforce the message of a peaceful

resolution to the cross-strait issue. Meanwhile, Taiwan also clearly sees that in the event of a war between the mainland and Taiwan, the US and Europe will not send troops to support Taiwan. Therefore, the tone of those who support “Taiwan independence” will also be lowered.

9. The impact of the Ukrainian crisis on the following aspects deserves China’s attention: First of all, **in terms of economy, the Ukrainian crisis has a great impact on the “Belt and Road” initiative.** Chinese companies have made considerable investments in Ukraine, such as ports, manufacturing, and agriculture and other fields. China is currently Ukraine’s largest single trading partner in that region, accounting for 14.4% of its imports and 15.3% of its exports. In addition, it will have a certain impact on the China-EU Railway Express and its future development. Ukraine is one of the routes for the China-EU Railway Express to enter Europe, and the China-EU Railway Express to Hungary and Poland may pass through Ukraine. If the crisis in Ukraine continues or escalates, the China-EU Railway Express will undoubtedly be affected.

Secondly, **it will also have a certain impact on Russia-China relations.** In 2013, the joint statement between China and Ukraine on further deepening the strategic partnership mentioned: “In accordance with United Nations Security Council Resolution (UNSCR) 984 and the Chinese government’s statement on providing security assurances to Ukraine on December 4, 1994, China pledges unconditionally not to use or threaten to use nuclear weapons against non-nuclear Ukraine, and under the conditions of Ukraine suffering an invasion or the use of nuclear weapons against it, China will provide Ukraine with relevant security guarantees.” This is widely understood as China will provide Ukraine with nuclear security protection. As the Russian-Ukrainian crisis exacerbates, how will China handle the issue of providing nuclear protection to Ukraine will affect Russia-China relations.

Thirdly, **the escalation of the Russian-Ukrainian crisis is an important window for China to observe the US.** This crisis has placed the US and NATO on an important stage of pressure testing, which will test the political will and courage of the US and western countries to participate in high-intensity geopolitical games, as well as how to measure the gains and losses of geopolitical interests. Among them, the attitude and actions of the US are particularly important. Through which, China will have the opportunity to further understand the true intention and determination of the US.

Fourthly, if the Ukrainian crisis continues, the whole Europe and Central Asia may all be involved. **The external geopolitical and economic environment of China’s development will be affected.** The US may increase trade restrictions on China to prevent China from using European and US technologies to support Russia. This may affect China’s ‘dual circulation’ strategy, making China rely more on its domestic market and enhance the strength and measures on its ‘domestic circulation’.