

# CHINA'S POLICY TOWARDS BELARUS AND UKRAINE

A LIMITED CHALLENGE TO SINO-RUSSIAN RELATIONS

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- For Belarus and Ukraine, relations with China have become of profound importance in recent years, and China's involvement with those two states has increased substantially.
- The drivers of both states' engagement with China differ, however. Trade is at the heart of Ukraine-China cooperation, whereas Belarus-China relations are primarily political and a source of balancing against Minsk's growing dependence on Russia.
- Yet China's policies tend to respect Russian political interests. When its political or military engagement contradicts core Russian goals, China acts with self-restraint.
- Despite this, its political and economic presence will continue to grow in the region, which will affect both Russia's and the EU's interests in the medium term.



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### INTRODUCTION

China traditionally pursued a pragmatic foreign policy in the post-Soviet region, which was never seen as a priority in Beijing. It primarily based its policies on economic engagement with the local elite, who sought sources of politically unconditional loans and investment, as well as the possibility to hedge their foreign policies vis-à-vis other regional powers. A growing economic presence promoted Chinese core interests in the region without challenging Russia's political pre-eminence in the region and jeopardizing Russia-China relations.

However, in recent years, two factors have affected the status quo and have led to greater engagement in the region by China. First, the region became an important part of China's Silk Road Economic Belt, and Belarus and/or Ukraine became a transport hub between China and the EU. Second, Russia's policies turned more assertive towards its neighbourhood, whereas the EU's Eastern Neighbourhood policies lost steam after the outbreak of the Russia-Ukraine conflict in 2014. The new regional environment and domestic instabilities duly increased the importance of China for local elites.

This Briefing Paper overviews the evolution of China's cooperation with Belarus and Ukraine since 2013. One of the results has been a growing contrast in Chinese relations with Belarus and Ukraine. While China-Ukraine relations were driven by economic cooperation and a tremendous growth in bilateral trade, their political relations stagnated. China-Belarus relations, on the other hand, have increasingly prioritized enhanced political and defence cooperation, despite consistent attempts by the Belarusian side to build up a Chinese economic presence in the country.

The paper argues that China deliberately opts to steer clear of power competition in the region and chooses to recognize both Russian special interests in the region and countries' own foreign policy choices, be they integration with the EU or Russia. In Belarus and Ukraine, Beijing seems to exercise self-restraint in its policy, taking Russia's interests into consideration. However, its growing presence in economic and cultural spheres as well as local elites' increasing

interest in engaging China in manoeuvring in the EU-Russia conflict creates a window of opportunity for Beijing to apply its increasing economic and political resources for political ends in the long-term perspective.

### THE SIGNIFICANCE OF BELARUS AND UKRAINE FOR CHINA SINCE 2013

Belarus and Ukraine belong to the 'third tier' of Chinese foreign policy.<sup>1</sup> In Beijing's view, the development of ties with the two states has been primarily trade-driven and aimed at broadening diplomatic support for China's fundamental aims in international politics, and in multilateral fora in particular. Relations with both countries were elevated to the level of a 'strategic partnership' in 2011 (Ukraine) and 2013 (Belarus). While the weight of such a format should not be exaggerated, in that Beijing has concluded similar agreements with dozens of states, it nonetheless suggests China's appreciation of the roles that the two states may play. In addition, Ukraine – and to a lesser degree Belarus – played a special role in China's military modernization. Their industrial potential, inherited after the collapse of the USSR, allowed them to provide China with some of the weapon systems that Russia was unwilling to sell. Key items included jet engines, while a ship purchased from Ukraine was refitted to ultimately become the first aircraft carrier of the Chinese Navy.

The significance of Belarus and Ukraine for China has increased considerably since 2013. The proclamation of the Belt and Road Initiative (or, more precisely, of its land component, the Silk Road Economic Belt) made Belarus and Ukraine key partners in building transport corridors to Central and Western Europe. Both states offer the most convenient and fastest railway connection routes to the EU, with regular cargo train connections established as early as 2011. The importance of Belarus has been reinforced by virtue of it being a member of the Customs Union and the Eurasian Economic Union, which facilitated the customs

<sup>1</sup> The first two tiers include great-power diplomacy and peripheral diplomacy, i.e. China's neighbours; the third tier is termed 'cross-regional diplomacy'.

procedures and reduced the number of international borders that the railway has to transit.

China's plans to use the territory of Ukraine for transit purposes became complicated in the aftermath of the Russian-Ukrainian conflict. Beijing did not manage to implement the planned investments. The transit route via Ukraine was closed due to Russia's ban on transit goods, whereas the planned deep-sea port in Crimea was put on hold, as Beijing refuses to recognize the Russian annexation of Crimea. In addition, both the domestic context of the Maidan Revolution of 2014 and the conflict with Russia have weakened Beijing's willingness to engage in closer political dialogue with Kyiv. As a consequence, the importance of Belarus has increased as it provided the main transit corridor for the railway component of the BRI. However, the lifting of the Russian ban in June 2019, presumably due to China's active lobbying, promises to restore the importance of the Ukrainian route for China.

The evolution of the political situation in Ukraine since the Maidan revolution has created a potential source of mistrust for the Chinese Communist Party. Beijing insists on maintaining the principle of non-interference in other states' domestic affairs and is ready to cooperate pragmatically with any forces that do not cross Chinese 'red lines' related to sovereignty and territorial integrity. Nonetheless, the Chinese elite seem to share the belief widespread in Moscow that the events of 2014 constituted another example of 'colour revolutions', steered from the outside and representing the Western attempt to weaken Russia-Ukraine ties. While China has not recognized the annexation of Crimea, it has consistently refrained from open critique of Russia. A pro-Western orientation of the post-Maidan governments, including close ties with the US, may prevent Beijing from developing closer ties with Ukraine.

Chinese assessments of the Belarussian situation are more nuanced. On the one hand, the authoritarian rule makes political dialogue easier. The role of Belarus was appreciated by Beijing in October 2019 when Minsk read a statement on behalf of 54 states that commended Chinese achievements in human rights and declared support for China's policies in Xinjiang in an attempt to undermine the legitimacy of Western criticisms.<sup>2</sup> On the other hand, Chinese experts see the

economic model dominant in Belarus as an obstacle to more advanced cooperation and a barrier to further investment.

## CHINA-BELARUS RELATIONS

Since the 2000s, Belarus has been actively developing ties and cooperation with China, with Minsk pledging "eternal" friendship with the country. In its view, China offered an opportunity to hedge its foreign policy vis-à-vis Moscow and the West. After 2014, as Russia-Belarus relations deteriorated and Belarus-EU relations did not achieve a breakthrough, China's importance became particularly acute. In 2016, President Alexander Lukashenko specifically pointed out that the two countries had lent each other support on issues of major common concern. China's financial instruments were crucial for alleviating the economic pressure exerted by Moscow. Beijing was the first to offer congratulations on the "victory" of the incumbent Lukashenko in the presidential election in August 2020, which was of great symbolic and political significance for the shattered regime. Finally, the ruling Belarusian elite sees China as an ideological ally, whose political and socio-economic model is viewed as proximate.

### Political and security dimension

A deepening of political cooperation was a principal outcome of China-Belarus relations. Two years after Belarus became a strategic partner of China, in 2015, Minsk and Beijing signed the Treaty of Friendship and Cooperation and adopted a joint declaration on the further development and deepening of their comprehensive strategic partnership. High-level visits and contacts were steadily extended. Xi Jinping visited Minsk in 2015, whereas Lukashenko made nearly a dozen trips to China during his presidency. At the organizational level, Belarus, a dialogue partner in the Shanghai Cooperation Organization since 2009, joined the Belt and Road Initiative in 2013. Humanitarian, educational and cultural ties have also developed, with five Confucius Institutes operating in Belarus. In 2018, during the "Belarus-China Year of Tourism", a visa-free regime was established between the two countries.

Meanwhile, military cooperation remains important but limited. High-level Belarusian state and

<sup>2</sup> Edith M. Lederer, China and West clash over claims Beijing oppresses Uighurs, Associated Press, 30 October 2019, <https://apnews.com/article/68f22c01a6fd47b7ba3443ca4295f233>.



The “Great Stone” industrial park in the vicinity of Minsk was established in 2017. Source: Wikimedia Commons/Homoatrox (CC BY-SA 3.0)

military officials regularly visit China and conduct military exercises, such as the Joint Anti-Terrorism Training “United Shield”. In 2020, Lukashenko confirmed that China had played a crucial role in the creation of the Multiple Launch Rocket System “Polonez”. However, after this success, the bilateral coordinating committee on arms cooperation was unable to find new avenues for partnership. Belarusian proposals for new joint military production, including setting up joint or purely Chinese military enterprises in Belarus, were declined.

Crucially, besides recognizing his victory in the 2020 presidential election, China stood behind Lukashenko when it came to the issue of mass protests against electoral fraud and police violence. The Chinese media and officials accused the West of meddling, supported Belarus in the UN Security Council, and basically ignored the societal uprising against the regime in its media. The head of the Chinese parliament’s committee on foreign affairs stressed that Beijing opposed “attempts by external forces to sow discord and chaos in the Belarusian society”.<sup>3</sup> China consistently supported

Lukashenko, including a statement by MFA spokesperson Zhao Lijian that under his leadership “political stability and social tranquillity would be restored”, and stressing China’s readiness “to continue to push for in-depth development of China-Belarus comprehensive strategic partnership”.<sup>4</sup> On 24 September 2020, after the EU announced his illegitimate status, Lukashenko awarded a medal of “Honour” to the ambassador of China to Belarus for his support, particularly in recent times, and for the development of bilateral ties.

### **Economic dimension**

The economic cooperation between Belarus and China is deepening steadily. Chinese imports have grown in recent years, and Belarusian agriculture exporters have gained access to the Chinese market. Yet figures remain low. In 2016, Belarusian exports to China amounted to barely \$0.5 billion, and imports were just slightly over \$2 billion. In 2019, bilateral trade reached USD 4 billion, out of which the Belarusian export share was merely 15% of the overall trade volume and consisted

3 *Opinion: China is against attempts of external forces to sow discord and chaos in Belarus*, Belta, 24 September 2020, <https://eng.belta.by/politics/view/opinion-china-is-against-attempts-of-external-forces-to-sow-discord-and-chaos-in-belarus-133734-2020/>.

4 *Foreign Ministry Spokesperson Regular Press Conference on August 26, 2020*, <http://rs.china-embassy.org/eng/lyrth/t1809457.htm>.

mainly of potassium fertilizers. In January–March 2020, Belarusian exports fell by 57%.

Chinese investment projects, in transport and energy specifically, and the “Great Stone” industrial park in the vicinity of Minsk, are the backbone of the partnership. North China Power Engineering was contracted to connect the Astravets nuclear power plant, built by Russia’s Rosatom, to the Belarusian electricity grid. Moreover, as mentioned above, Belarus is an important railway hub on the New Silk Road for the East–West–East connection. Railway container traffic via Belarus increased 15-fold in 2013–2018 from 21 thousand to 340 thousand containers with a twenty-foot equivalent unit. In January–September 2020, rail freight traffic grew 1.6-fold. Yet overall, investments remain low and traditionally vary between USD 30 and 40 million per year.<sup>5</sup>

China actively lends money to Minsk and holds a fifth of its state debt. It opened several credit lines in its state banks. The Export–Import Bank of China and China Development Bank offered a USD 16 billion credit line in 2009–2010 and a USD 7 billion credit line in 2015. However, Belarusian state companies borrowed reluctantly, due to unfair terms such as obligations to use Chinese technology and labour.<sup>6</sup> Several China-financed projects ended in heavy losses for the Belarusian side. For instance, the project to launch a Belarusian satellite on Chinese technology funded by a loan from the Export–Import Bank turned economically unviable before its realization. Requests by the Belarusian government to write off the USD 230 million debt from a failed mutual project were rejected in 2019.<sup>7</sup>

## CHINA IN UKRAINE

In contrast to Belarus, Ukraine–China relations are driven primarily by the economy. Ukraine specifically eyes China as a market for its agricultural production and technology, and as a source of investment. Participation in the BRI is seen as a lucrative opportunity. Ukraine–China political ties lag behind, however, particularly due to the Russia–Ukraine war. Although China supported the new government and its course

towards European integration, its ambiguity over the conflict and its diplomatic alliance with Moscow raised concerns in Kyiv. At the same time in Kyiv, engagement with China is increasingly being discussed as a potential political asset, a bargaining chip vis-à-vis Western conditionality, and Volodymyr Zelensky’s administration is voicing its ambition to deepen political ties with Beijing.

## Political and security dimension

By 2013, China had become one of the key foreign policy priorities in Kyiv. On 28 November 2013 the then Ukrainian president, Viktor Yanukovych, declined to sign the Ukraine–EU Association Agreement in Vilnius. Instead, on December 3–6, he visited China and signed the Treaty on Friendship and Cooperation between Ukraine and China, the Joint Declaration on Further Deepening of Strategic Partnership Relations, and the Programme of Development of Strategic Partnership Relations for 2014–2018. However, after 2014, relations between the two countries froze. Although China recognized the new government and did not endorse the annexation of Crimea, its position remained ambiguous over the Russia–Ukraine conflict. In turn, new Ukrainian elites focused on the cooperation with the West and became dependent on its support. For instance, the Programme of Development of Strategic Partnership Relations for 2014–2018 was ratified in 2014, but not implemented.

After the stabilization of the new political regime, when Western assistance was no longer as vital as in 2014 but Western demands for reform were threatening the sources of power for key elite groups, Kyiv attempted to revive the Chinese direction of its foreign policy. In December 2017, after a four-year break, the China–Ukraine Intergovernmental Commission met in Kyiv. The then prime minister, Volodymyr Groysman, stated, “For me, as prime minister, China is a strategic priority. I think that we can launch a number of important projects of our cooperation with renewed vigour”.<sup>8</sup> President Petro Poroshenko even invited China to take part in the resolution of the Donbas conflict.

Although the Poroshenko administration failed to revive the political dialogue with China, the election of Zelensky created a new impetus for fostering political ties. Zelensky called for a reset of bilateral political

5 In 2018 and 2019, investment exceeded USD 100 million mainly due to the need to replenish the accounts of Great Stone’s residents.

6 Elena Gruzinskaya, ‘Kreditno-investitsionnoye sotrudnichestvo Respubliki Belarus’ i Kitayskoy Narodnoy Respubliki’, *Bankauskiy vesnik*, <http://www.nbrb.by/bv/articles/10604.pdf>.

7 *Kitay otkazalsya spisat’ Belarusi 230 mln dollarov za sozdaniye sputnika*, Tut.by, 16 October 2020, <https://news.tut.by/economics/704351.html>.

8 *Chinese vice premier, Ukrainian PM meet on cooperation*, Xinhua, 6 December 2017, [http://www.xinhuanet.com/english/2017-12/06/c\\_136803508.htm](http://www.xinhuanet.com/english/2017-12/06/c_136803508.htm).

ties and spoke in favour of intensifying bilateral relations, including at the level of the legislative and executive authorities of Ukraine and China. In the current Ukrainian Parliament, over 300 MPs signed up to join the group on inter-parliamentary cooperation with China.

Security cooperation also decreased sharply in recent years. Ukraine was one of the main suppliers of military technology and weapons, particularly engines for Chinese military aircraft. However, a larger Chinese presence in the military-industrial sector of Ukraine is hindered by its close security ties with the West, on the one hand, and China-US confrontation on the other. As a result, Chinese investments in the Ukrainian critical infrastructure and military-industrial complex are seen as a risk that would undermine Ukraine's national security, and intelligence cooperation with the US in particular.<sup>9</sup> As the case of the sale of the engine manufacturer Motor Sich to the Chinese company Skyrizon Aircraft, nearly completed in 2016, demonstrated, Ukraine-China cooperation in defence procurement provokes a harsh negative reaction from Western partners. Eventually, the ownership of Motor Sich was challenged by the Security Service of Ukraine and the court imposed an arrest on its shares. In September 2020, Ukraine announced a new competition for Motor Sich purchase, the outcome of which may profoundly affect the prospects for China-Ukraine defence cooperation.

### **Economic dimension**

In contrast, economic cooperation has developed rapidly since 2015. Following several years of being Ukraine's economic partner number two, in 2019 China emerged as Ukraine's biggest overall foreign trade partner. China became the leading export and import partner, outpacing Poland in exports and Russia in imports. In 2019, China's exports and imports to and from Ukraine grew by 63% and 20% respectively. In January-July 2020, the results were even more staggering. Ukraine's general trade turnover fell by 10%, but trade with China grew by 20%. Ukraine's exports to China almost doubled.

China's investment is also growing steadily, but remains targeted at energy, infrastructure and agriculture for the most part. During 2016-2019, Chinese

companies invested over USD 1.5 billion in energy projects. Ukraine is specifically interested in transport opportunities, which would allow it to bypass Russia's sanctions as well as investments in its infrastructure. In July 2019 during a meeting with Zelensky, Chinese business leaders outlined investment targets worth USD 10 billion, yet none of the projects have materialized to date. Ukraine has agreements with the Development Bank of China, and received targeted loans in the energy and agricultural sectors. In December 2017, Ukraine joined the Belt and Road Initiative, signed a joint action plan to develop the new Silk Roads, and opened the Belt and Road Trade and Investment Promotion Center in Kyiv in 2018. However, despite mutual economic interest in Ukraine's active participation in the BRI, Chinese direct investments remain limited. If in 2013, Chinese direct investments amounted to a mere USD 18.79 million, in 2014-2019 they increased to 300 million in total.<sup>10</sup>

### **THE IMPLICATIONS FOR SINO-RUSSIAN RELATIONS**

The growing political and economic influence of China in the post-Soviet space – and the corresponding loss of leverage by Russia – have been considered by Western observers as the most plausible cause of a potential conflict of interests between Moscow and Beijing. Given the relevance for Moscow of ties linking Russia with both Ukraine and Belarus, the rising Chinese presence in these two states might be expected to create particular discomfort in Moscow. Contrary to those expectations, China's relations with neither Ukraine nor Belarus have generated tensions between Moscow and Beijing. Several factors seem to mitigate the conflictual potential.

First, China does not seem to cross Russia's implicit "red lines". Beijing has limited the dialogue with Ukraine (plausibly due to its own concerns over colour revolutions),<sup>11</sup> whereas its support for Belarus is generally in line with Russia's policy (even the loan granted to Lukashenko in December 2019 amidst the conflict with Moscow cannot be deemed sufficient to undermine Russia's influence). The "17+1" cooperation

<sup>9</sup> See for instance, Getmanchuk, A. et al. "Wolf-warrior" and Ukraine. *New Europe Centre*, <http://neweurope.org.ua/en/analytics/kytaj/>.

<sup>10</sup> *Kitayskiye investitsii v ekonomiku Ukrainy za 5 let sostavili 300 mln dollarov*, in *Venture*, 11 March 2020, <https://inventure.com.ua/analytics/formula/kitayskie-investitsii-v-ekonomiku-ukrainy-za-5-let-sostavili-300-mln-dollarov>.

<sup>11</sup> Zhang Hui and Xie Wenting, 'China, Russia oppose protectionism, hegemony', *Global Times*, 11 September 2020, <https://www.globaltimes.cn/content/1200624.shtml>.

format, under which Beijing gathered former communist countries in Eastern Europe and challenged the EU as the dominant actor, remains closed to Belarus and Ukraine, even though it was broadened to include Greece.

Second, the success of China's BRI connections to Western Europe through Belarus and Ukraine depends on smooth cooperation with Russia. In that sense, China needs to keep both Russia and its post-Soviet neighbours on board with the BRI. At the same time, Beijing is interested in limiting the potential for instability in the region. Russia's actions in the post-Soviet space tend to cause more harm than good, which ultimately harms China's major instrument in international politics – its economic power.

Third, neither China nor Russia are interested in growing US influence in either Belarus or Ukraine. China's contacts with Ukraine can be pushed back by the US and Washington's pressure on Kyiv (as in the case of the failed purchase of Motor Sich by Chinese investors). Russia and China continue to share deep fears of "colour revolutions", which makes Beijing adopt a more cautious policy towards Ukraine and Belarus.

## CONCLUSION

China has emerged as an important political and economic partner for Belarus and Ukraine alike. In Beijing's view, both states occupy relatively low rungs in the hierarchy of China's partners, although their relevance has increased because of the role they play in the BRI. However, China should not be expected to risk a potential clash with Russia over these states. The benefits from such an open competition would be limited and vague, whereas the risks might be substantial.

Nonetheless, the Chinese presence will continue to grow in the region and will affect both Russia's and the EU's strategic interests there in the medium term. Chinese financial instruments and economic presence can undermine the EU's conditionality, which has been at the core of the reform progress in the region. Following recent IMF, US and EU pressure on its corrupt elite, a part of the Ukrainian political establishment is already openly discussing how China can become instrumental in limiting the Western pressure. In this case, the domestic transformation would become an even harder ordeal.

Similarly, even if unintentionally and without undermining the Sino-Russian strategic partnership, China's very presence may allow it to have a growing impact that undermines Russia's leverage. As examples of Chinese involvement show, the emergence and entrenchment of Chinese strategic interests may lead to the swift erosion of Russia's hegemony. /