

# Dragoman Digest

## China's position on Ukraine

*Beijing's position at the UN suggests its stance has shifted*

President **Xi's** friendliness with President **Putin** may be the most tangible element of **China's Russia** relationship as events in **Ukraine** unfold. As Russia's actions have raised global reaction, China has moderated its stance in ways that may reflect internal debate.

China's Politburo reportedly "disappeared" just after the Winter Olympics, coincident with Russia's invasion. China had alerted its citizens in Ukraine too late to evacuate – a charter airlift flight was unable to proceed, leaving students and others stranded and reporting back on events by social media. While China's media has evidently toned down its pro-Russian reportage, groups of academics and others have posted critiques of Russia's actions that were quickly taken down on social media. Some Chinese social media users have compared Russia's invasion with **Japan's** 1932 move on Manchuria.

Russia's failure to easily achieve control of Ukraine – and the global response – has forced China to choose. China's banks responded to sanctions threat by advising steel and power generation clients to avoid purchasing Russian coal because of the risk of "unexpected damage." Two of China's largest banks restricted credit for Russian trade.

Highlighting China's focus on economic stability, key State agencies issued guidance to state owned enterprises that they should prioritise supply of important commodities usually supplied by Russia.

When Putin visited Beijing on February 4, the opening day of the Olympics, Xi joined him in objecting to any NATO expansion – remarks that implied a degree of Chinese support for Putin.

This week, as the United Nations debate unfolded, China's position clearly shifted: "the situation has evolved to a point which China does not wish to see," UN Ambassador Zhang Jun told the emergency session. "It is not in the interest of any party."

## Question marks remain over energy sanctions

*Oil and gas exports are a hole in the West's sanctions regime*

Governments have used some of the heaviest sanctions in their artillery to isolate Moscow from the global financial and trade system, avoiding sanctions on "transactions related to energy" for now. **Russia** ships about 5 million b/d of crude oil – worth over US\$550 million at current prices – of which roughly half go to Europe. Russian gas exports to Europe are worth roughly US\$450 million per day.

In the short term, Europe is left with few options for alternative supply. At the Members of the Gas Exporting Countries Forum (GECF) last week, gas producing nations indicated they have limited capacity to boost production if Russia curtails energy exports to Europe. The GECF, which includes **Russia, Qatar, Iran, Libya, Algeria** and **Nigeria**, accounts for more than 70 percent of the world's proven gas reserves. Qatar stated that long-term supply contracts, which the EU has historically resisted, and investment in gas infrastructure is required to guarantee supply to Europe. Earlier in the week, the Organisation of Petroleum Exporting Countries plus Russia decided to stick with their gradual increases to production, rather than rapidly ramp up supply.

The sale of oil and gas represents a major loophole in the sanctions regime. Perversely, the decisions to withdraw from Russia by Exxon, BP and Shell may benefit Putin in the short-term.

Russia now owns 100 percent of the various ventures without having to pay for the increased positions.

As the ferocity of the Russian assault increases, Western governments are weighing the prospect of further measures against the impacts on their own economies. While the threat of further inflationary pressures are real, European security concerns will take precedence.

### **India releases long-awaited green hydrogen strategy**

*The strategy will complement an earlier draft policy to drive incipient demand*

**India's** Ministry of Power (MoP) released its much-awaited Green Hydrogen Policy earlier this month. It is the centerpiece policy of Prime Minister **Modi's** 'National Hydrogen Mission,' launched last year. It set a target to produce 5 million tonnes of green hydrogen per year by 2030 to decarbonise India's heavy-industry and become a 'green hydrogen hub.'

To incentivise production, it waived interstate transmission charges for 25 years for green hydrogen and ammonia projects set up before mid-2025. Separate special manufacturing zones will be set up with priority connection to the national grid. India will also establish a 'banking' system where clean power producers can store surplus output with another state utility company for future use. The plan has already attracted interest from Indian energy investors Gautam Adani and Mukesh Ambani. Last month, Ambani announced a US\$75 billion investment from Reliance Industries into renewables infrastructure. Green hydrogen was flagged as an area of interest.

The strategy complements a draft policy released late last year. If introduced, India will mandate a gradual increase in industries' use of green hydrogen. From 2023-2024, green hydrogen must account for 10 percent of the overall hydrogen volume used by refineries. The figure is 5 percent for fertiliser plants. This will rise to 25 percent and 20 percent respectively in five years. The policy will eventually include the transport and steel manufacturing sectors. Still absent from both plans is an incentive programme to manufacture or purchase electrolyzers – a potential headwind to India realising its 2030 target.

### **Demographic issues in China worsen as push for delayed retirement grows**

*New policies proposed as Beijing struggles with its aging population*

**China's** rapidly ageing population and shrinking workforce has driven Beijing to introduce a myriad of new policies aiming to mitigate the threat of slowed economic growth. China's population growth hit another record low in 2021, with a birth rate of 0.75 percent, and a death rate of 0.72 percent according to the National Bureau of Statistics. This gives the country a natural growth rate of only 0.03 percent, well below the world average of 1.05 percent per year. Natural growth rate refers to the difference between the number of births and deaths that occur each year. The proportion of China's population aged 16-59 has decreased 5 percent in the past decade, while its population aged 60 and above has jumped 45 percent.

Beijing-based Population Institute YuWa proposed that China relax immigration rules to allow over three million foreign caregivers to work in the country. The goal is to enable and incentivise Chinese women to continue working while bearing children. Reports have predicted that it could boost China's birth rate by 200,000 a year. However, the proposed legislation is shrouded in controversy as it is dependent on workers from neighboring countries, including **Bangladesh** and the **Philippines**, accepting lower wages on short-term contracts, with no visa rights to bring spouses to the country.

China is seeking to curb expanding social welfare spending, which is linked to the aging demographic. From this month, Jiangsu is set to become the first province to allow individuals to postpone retirement. The province is trialing a voluntary retirement scheme, which requires consent from both individual workers and their employers. Other provinces are

reportedly following Jiangsu's lead, pushing the country towards a nationwide increase in the official retirement age.

More long-term strategies will be required. Otherwise, the nation's aging population threatens to undermine Xi's ambition.

### **UN General Assembly votes to condemn Russia's invasion of Ukraine**

*Several of Russia's closest allies either abstained or voted in favour*

In an extraordinary session of the United Nation's (UN) General Assembly, 141 of 193 member states voted to adopt a resolution to condemn **Russia's** invasion of Ukraine. 35 abstained and five voted against – Russia, **Belarus**, **North Korea**, **Syria** and **Eritrea**. The resolution stated that the UN “deplores in the strongest terms the aggression by the Russian Federation against Ukraine” and demanded that Russia “immediately” ceases its use of force and withdraws its military forces. The vote was held after Moscow voted to veto a similar resolution at the UN Security Council last Friday.

Six countries that aligned with Russia in 2014 in a similar vote following the annexation of Crimea abstained – **Armenia**, **Bolivia**, **Cuba**, **Nicaragua**, **Sudan** and **Zimbabwe**. **China**, which usually votes with Russia at the UN, also abstained. It said it had not been adequately consulted about the substance of the text. While **India's** Prime Minister **Modi** appealed to President **Putin** “for an immediate cessation of violence” in a phone call last week, the country abstained from voting on both the Security Council and the General Assembly resolutions. India may face rising pressure to distance itself from Moscow as a member of the Quadrilateral Security Dialogue, which convened last night to agree a common position on the invasion.

**Hungary** and **Serbia**, which have longstanding ties to Moscow, voted in favour. **Saudi Arabia** and the **United Arab Emirates**, which abstained at the UN Security Council, also condemned the invasion – underscoring Russia's deepening diplomatic isolation.

#### Countries that voted against the resolution

Russia  
Belarus  
North Korea  
Eritrea  
Syria

#### Countries that abstained

Algeria	China	Iraq	Namibia	Tajikistan
Angola	Congo	Kazakhstan	Nicaragua	Tanzania
Armenia	Cuba	Kyrgyzstan	Pakistan	Uganda
Bangladesh	El Salvador	Laos	Senegal	Vietnam
Bolivia	Equatorial	Madagascar	South Africa	Zimbabwe
Burundi	Guinea	Mali	South Sudan	
Central African Republic	India	Mongolia	Sri Lanka	
	Iran	Mozambique	Sudan	

#### Countries that voted in favour

Afghanistan	Cyprus	Ireland	Netherlands	Saudi Arabia
Albania	Czech Republic	Israel	New Zealand	Serbia
Andorra	Democratic Republic of the	Italy	Niger	Seychelles
Antigua-Barbuda	Congo	Jamaica	Nigeria	Sierra Leone
Argentina	Denmark	Japan	North Macedonia	Singapore
Australia	Djibouti	Jordan	Norway	Slovakia
Austria	Dominica	Kenya	Oman	Slovenia
Bahamas	Dominican Republic	Kiribati	Palau	Solomon Islands
Bahrain	Ecuador	Kuwait	Panama	Somalia
Barbados	Egypt	Latvia	Papua New Guinea	Spain
Belgium	Estonia	Lebanon	Paraguay	Suriname
Belize	Fiji	Lesotho	Peru	Sweden
Benin	Finland	Liberia	Philippines	Switzerland
Bhutan	France	Libya	Poland	Thailand
Bosnia- Herzegovina	Gabon	Liechtenstein	Poland	Timor-Leste
Botswana	Georgia	Luxembourg	Portugal	Tonga
Brazil	Germany	Malawi	Qatar	Trinidad-Tobago
Brunei	Ghana	Malaysia	Republic of Korea	Tunisia
Bulgaria	Greece	Maldives	Republic of Moldova	Turkey
Cabo Verde	Grenada	Malta	Romania	Tuvalu
Cambodia	Guatemala	Marshall Islands	Rwanda	Ukraine
Canada	Guyana	Mauritania	Saint Kitts-Nevis	United Arab Emirates
Chad	Haiti	Mauritius	Saint Lucia	United Kingdom
Chile	Honduras	Mexico	Saint Vincent- Grenadines	United States
Colombia	Hungary	Micronesia	Samoa	Uruguay
Comoros	Iceland	Monaco	San Marino	Vanuatu
Costa Rica	Indonesia	Montenegro	Sao Tome- Principe	Yemen
Cote D'Ivoire		Myanmar		Zambia
Croatia		Nauru		
		Nepal		