

Russia and China make bad mistakes

The violent invasion of Ukraine by Russia has done great harm to the people and buildings of Ukraine. It has also done grave damage to the country's standing in the international community, hurt its domestic economy and rattled its main ally, China. The democracies are now settled on a path to remove more Russian oil and gas from their imports, end trade in many other products, cease investing, withdrawing businesses from Russia and blocking access to the western payments system. The reluctance of Germany and some eastern European countries to speed the ending of Russian energy purchases owing to their substantial dependence on them makes it possible for Russia to carry on financing her war, but the direction of travel to cut Russia's earnings from these sources is clear. The outlook for Russia with continuing sanctions is not a good one. China may in due course buy more Russian oil and gas but that will require more pipeline capacity to Asia and or more LNG capacity, requiring large investments with delays built in.

China must be most unhappy that President Xi signed a comprehensive pact with President Putin during the winter Olympics in Beijing in February, only to see their best ally and friend launch a military campaign four days after the Olympics which has so far badly miscarried and has awoken the West to the threat from the autocratic regimes in both Russia and China. China sees the Ukraine problem through a lens trained on Taiwan. Any thought of military action against the island must now be more remote. China will have seen how an independently minded people can dig in against what looks like a large military machine and inflict considerable damage on it. They will also have noted the more robust response of the West than expected which would probably be even more true of any attack on Taiwan.

China has compounded this error by sticking to its zero covid policy. As new waves of the disease hit a population with low levels of vaccination so more cases flare up. China responds with draconian lockdowns, forcing people to stay home and sending basic state food and other supplies to keep them going. Those with the disease are removed to isolation facilities they share with many others. This is resulting in more interruptions to Chinese production and transport of goods, hitting world trade. It is creating a Chinese reputation for unreliability after years of creating a good report for timely and affordable products delivered along long supply chains especially by container ship.

China could still opt for the western approach to covid of encouraging near 100% take up of the vaccines and allowing free movement in the expectation that most who catch the disease after vaccines will get mild versions which can be managed. There is no current sign of President Xi wanting to try this, and reports of vaccine hesitancy by Chinese people. They have been instructed to believe this is a dangerous disease which needs to be eradicated by lockdowns of any area where there are infected people. China will be reporting poor economic figures from this April until zero covid is re established. It's another headwind for world trade and for economic growth more generally. These events force China and Russia closer together with

more opposition from the West to their actions. China is not getting the support of a militarily strong and shrewd ally as it hoped. Russia is not getting all the support it needs to dig itself out of the Ukraine tragedy with any success to report.