China’s Approach to the Crimean Crisis:
International and Regional Dimensions

For more than twenty years China has been considering Ukraine as one of its key partners in the post-Soviet area. In 2001, both states established a comprehensive partnership that had strategic content. Up to 2013, the Crimean Peninsula, alongside with other regions of Southeast Ukraine, was considered as one of the most important strongholds of the Sino-Ukrainian strategic partnership. The situation changed drastically in March 2014. As Russia and the West collided over Ukraine, China took advantage of Russia’s need to avoid broad international isolation and the US and EU’s economic sanctions against Crimea, its inhabitants, other individuals and entities. On the international arena, China follows a strategy of active neutrality on the Ukrainian issue, which prospectively could be added with active economic engagement in Crimea.

Introduction

After February 2014, due to a shift of power from the Russia-leaning government of ousted President Victor Yanukovych to a Western-backed leadership, overall situation in Eastern Europe underwent radical changes. The involved powers found their frontiers of interests overlapped with the frontline of real hot conflict. Splits of such levels of intensity often require the mediation of a third party whose stewardship is not originated from factors other than economic interests.

Ukraine and Crimea are geographically distant from China but geopolitically relevant for the latter’s global leadership. For more than a decade Ukraine as the biggest state of the Eastern Europe has been an area of
geostrategic game between the Euro-Atlantic bloc and Russia to assert and reassert their geopolitical influence. The Maidan Revolution in Ukraine became not the first but a routine, albeit the sharpest, episode in this race. China not being directly involved has subtly used the geopolitical confrontation between Russia and the West over Ukraine to redefine its strategic relations with Russia. Both sides strengthened their partnership by economic means when they gained a mutually lucrative natural gas deal, whose negotiations have dragged on since 2006.

I argue that even the figure of Russia’s President Vladimir Putin widely accused and even demonized in the West for his stance on Ukraine meets more than a favorable attitude both from China’s leaders and public opinion. He is seen in China as highly affordable leader to deal with on various issues of China’s vital interests, e.g. energy security, strategic partnership in the geopolitical sphere or cooperation in defense building which constitute the core of Sino-Russian bilateral comprehensive strategic partnership and opposition to unilateral steps of the US in global and security spheres.

Unlike most Western pundits and commentators, Russian and Chinese authors are precisely focusing on the positive spectrum in reporting and commentary dealing with Crimea’s secession and the conflict in East Ukraine. On the other hand, they divide on defining premises cementing Sino-Russian rapprochement. A number of scholars [Wu 2014; Trenin 2014; Davydov 2014, pp. 131–134] point to geopolitical motives of strengthening the Sino-Russian strategic alliance *vis-à-vis* current and future risk of a unilateral and unipolar Pax Americana. Other analysts [He 2014; Timofeev 2014, pp. 237–47] claim that the recent breakthrough in Sino-Russian relations is firstly motivated by bilateral economic interests and prospective mutual benefits.

In this chapter, I am leaning to the latter explanation, based on a transnational relations theory argument that can be expressed in terms of economic motivations, institutional mechanisms and calculation of outcomes.

I provide evidence in support of the argument that China has decided to adopt a more activist foreign policy in regards to the Ukrainian conundrum. I thereby focus predominantly on China’s policy towards Russia as a way of demonstrating its new willingness to take a more active stance in issues previously left in ambiguity, and as an example of an area where Zhongnanhai believes it is showing an ability to contribute to global security.
In this chapter, I first give retrospective observation of Sino-Ukrainian relations, their role and significance for China’s overall strategy towards the post-Soviet area, and how it succeeds in explaining the formation of China’s contemporary actions in regards to events in Crimea and Ukraine.

Second, I explain how China’s business interests suffered from the February 2014 coup d’état in Ukraine and aggravation of the struggle between Ukrainian oligarchs. I argue that China’s economic interests, alongside with its aversion to the West engineered “color revolutions” are major factors of China’s neutrality during the crisis albeit its long-standing firm stance in defending its own sovereignty and territorial integrity.

Third and finally, I discuss the regional and global implications of China’s neutral position towards the secession of Crimean Peninsula and military conflict in Eastern Ukraine.

**Historical Evolution of Sino-Ukrainian Relations**

On January 4, 1992, China became the second Asian country besides Israel that recognized the independence of Ukraine and thus demonstrated considerable economic and geopolitical interest to this East European state. In 2001, during President Jiang Zemin’s visit to Ukraine, both sides signed a joint declaration on strengthening friendship and comprehensive cooperation in the 21st century. The use of the term “comprehensive” (quanmian) in this document is noteworthy. By labeling and characterizing the bilateral cooperation as having a comprehensive nature, China and Ukraine displayed a desire to widen their partnership towards a more broad and multi-dimensional pattern, which is based, according to China’s hierarchy of partnerships, on three equal fundaments: political partnership, economic cooperation and humanitarian ties. Among China’s strategic and economic partners, the same year, it had established a relationship of such a frame with the European Union solely. US-China relations officially started being characterized in terms of a comprehensive partnership only in 2009, Sino-Russian relations, and China’s relations with Kazakhstan – another priority partner among post-Soviet states – only in 2010.

After a five-year-long break of Viktor Yushchenko’s presidency, in 2010 a new phase of boosting bilateral relations began, associated with a marked change in the foreign policy of the new Ukrainian government.

First of all, the flourishing of the two parties’ summit diplomacy (gaoji waijiao) contributed significantly to the development of Sino-Ukrainian
relations. In September 2010 President of Ukraine Viktor Yanukovych paid an official visit to Beijing. During this visit, leaders of both countries expressed a will to raise relations between the two countries to a new level. Both governments set a goal to bring annual volume of bilateral trade to the level of 10 billion US dollars within the next two years. Thirteen agreements and contracts were signed following the talks, *inter alia*:

1) Main directions of development of Sino-Ukrainian relations in 2010–2012;
2) Agreements on joint cooperation in areas of finance, transport, infrastructure, energy and aerospace.

Agreements and contracts, signed during the visit, were called by both Chinese and Ukrainian epistemic communities as the “New Silk Road” (*xin sichou zhilu* in Chinese, *Новий Великий шовковий шлях* in Ukrainian) (Україна – Німеччина – Китай: відлік пішов 2010). In April 2011, speaking at the Boao Asia Forum, Ukrainian Prime Minister Nikolay Azarov stated that Ukraine planned to share its technologies and research and development experience in the field of nuclear safety, that was considered to increase its value for China in light of the Japanese nuclear power plant Fukushima Daiichi accident which occurred shortly before and vitalized panic forms of nucleophobia in major Chinese cities (Kent 2011). As he emphasized, “Ukraine has gone through and will mark the twenty-fifth anniversary of the biggest technogenic disaster in the world history – Chernobyl accident – in the coming days. We have experienced what it means, and therefore the safe use of such important source of energy as nuclear power, constitutes a major problem for our developing world” (Україна поделиться опітом забезпечення безопасності ядерної енергетики – Азаров 2010).

Following the trend of increasing value of bilateral relations, China later in June signed a “Declaration on strategic partnership” with Ukraine, which became a clear message that Ukraine was considered by Zhongnanhai as one of the most preferable partners among Post-Soviet states.

In 2013, China and Ukraine agreed on a joint actions plan implemented in the framework of the Silk Road Economic Belt Project (*sichou zhilu jingji dai*) from China to Europe via Central Asia, the Caucasus and Ukraine. It is important to emphasize that the project was well correlated with Ukraine’s plans aimed at participation in European integration. In December 2013 Ukraine Ambassador to China Oleh Demin remarked that “China is interested in Ukraine to be in the European area, they see
Ukraine in this case as its gateway to Europe” (Китай видит Украину как ворота в Европу 2013).

For the same reasons the process of optimization of Sino-Ukrainian cooperation was received positively not only by the Ukrainian government, but also by opposition leaders. In 2013 Deputy Chairman of the Verkhovna Rada Committee of Foreign Affairs Valentin Nalivaychenko, who is now heading the Ukrainian Security Service (SBU), in his welcoming address to the Conference on Development of Strategic Partnership between Ukraine and China stated as follows: “We understand that cooperation with China will necessarily lead to the development of economic potential of our country, and therefore to strengthening of economic arguments in our negotiations with the EU” (Наливайченко 2013).

**Impact of the Maidan Revolt on China’s Strategy of Protecting Business Abroad**

In the face of the Ukrainian crisis, China has abided by its traditional policy of non-interference in other nations’ internal affairs, maintaining a low profile from the very beginning.

However, the Maidan movement in Kyiv clearly resembled “color revolutions” which have traditionally been seen in China as part of the Western strategy of “peaceful evolution” (heping yanbian) with respect to the states with governments unacceptable for the West. Nevertheless, China adopted a cautious posture since it came to the dispute far away from the area of projection of its regional power. As usual in such cases, Zhongnanhai limited its action to push for a diplomatic solution to the spat. With regards to Ukraine, it followed a three-faceted approach, calling for dialogue to solve the problem, for political solution and for assisting in Ukraine’s economic recovery.

After the outbreak of riots in Kyiv, the Chinese Foreign Ministry stressed that China did not intend to interfere in the internal affairs of Ukraine, respected the decision of the people of Ukraine and was ready to further the friendly dialogue and cooperation. On December 4, 2013, Chinese Foreign Ministry Press Secretary Hong Lei stated on behalf of his institution that “China has been following the development of the situation in Ukraine. We hope and believe that relevant parties in Ukraine can address disputes through consultation and jointly maintain social unity.
and stability. We also hope that the international community will play a constructive role in this regard” (Waijiaobu fayanren Hong Lei... 2014).

However, as many experts (Krasner 2011, p. XII; Lamy 2011) concluded, in recent years, the principle of respect for sovereignty and territorial integrity (zunzhong zhuquan he lingtu wanzheng), one of the fundamentals of the Five Principles of Peaceful Coexistence (heping gongchu-de wu xiang yuanze) which from the middle of the 1950s traditionally constitute a set of foreign policy rules for China to govern relations with other nations, is coming into contradiction with the principle of cooperation for mutual benefit (huli hezuo).

The economic and political collapse and the outbreak of civil war in Ukraine made many Sino-Ukrainian joint projects impossible for implementation. Perspectives of Ukraine’s markets for China decreased significantly also due to the fact that its southeast regions, which were supposed to be the key area of investment cooperation, after the coup in Ukraine became a war zone (the Donetsk and Lugansk regions) or fell under control of oligarch-sponsored military squadrons (the Dnipropetrovsk and Odessa regions).

The biggest instance of this cooperation could be the agreement signed between China’s Xinjiang Production and Construction Corps (bingtuan) and the Ukrainian Agricultural Group KSG Agro on leasing of 100,000 hectares of farmlands in the Dnipropetrovsk region and further plans of expansion of rented area up to 3 million hectares for 50 years. The project could be not only large-scale, but also quite unique for Ukraine and China.1

However, in March 2014 the Maidan government appointed one of the richest Ukrainian tycoons Igor Kolomoisky as governor of Dnipropetrovsk Oblast. Kolomoisky earlier fostered a strong reputation of a corporate raider in the mid-2000s, becoming notorious for a series of hostile takeovers, which often included the active involvement of his quasi-military teams. One of the first realizations of these schemes was a literal raid on the Kremenchug steel plant in 2006, in which hundreds of thugs with baseball bats, gas and rubber pistols, iron bars and chainsaws hired by Kolomoisky forcibly took over the plant (Kaylan 2013). Western mass media described Igor Kolomoisky and his business partners as persons who have perfected their own brand hostile takeovers (Nadeau 2014).

1 Specific economic and historically paramilitary governmental organizations which act in Xinjiang region of China. In modern times bingtuan are focused on production and sale of a variety of products. At present, the total area of agricultural land, rented by Chinese companies abroad, is about 2 million hectares.
In 2014 Igor Kolomoisky started to institutionalize his private armies as a source of influence not only on economic but also on political life. He is now funding several military units some of which are openly sharing neo-Nazi ideology (Luhn 2014).

It is obvious that under such circumstances perspectives for realization of a Sino-Ukrainian agricultural deal become unrealistic.

The crisis in the Donbass region endangers the perspectives for Sino-Ukrainian joint venture coal gasification plants in Severodonetsk (Lugansk region) and Gorlovka (Donetsk region), which were earlier included into the China-Ukraine Strategic Partnership Development Program for 2014–2018. In December 2013 Ukrainian energy giant Naftogaz signed a loan agreement with China Development Bank Corporation to attract 3.7 billion US dollars for the project.

In late March 2014, the Minister of Agrarian Policy and Food of Ukraine Igor Shvaika confirmed circulating rumors that China has filed a lawsuit against Ukraine in the Arbitration of the Grain and Feed Trade Association to repay the loan of 3 billion US dollars. As early as in 2012, the Export-Import Bank of China agreed to provide Ukraine State Food and Grain Corporation a loan of 3 billion US dollars, on the spot and forward purchases of grain for future delivery to China. The Ukrainian side received the first tranche of 1.5 billion at the end of 2013 but did not deliver the grain (China Sues Ukraine… 2014).

### China’s Delicate Position on and after the Crimean Referendum

On March 16, 2014, Crimea held a referendum on the future status of the peninsula and afterwards ceded to Russia. In theory, the redrawing of maps in the Black Sea region could be a cause for concern in China as possible impulse to embolden separatist pushes on its own territory. However, China’s foreign policy is fuelled by a strict realist understanding that theory is not practice. Notwithstanding the respect to territorial integrity and sovereignty, widely proclaimed by the US, they did not abstain from de facto recognizing the results of every election in Taiwan or from labeling Hong Kong’s Occupy Central “referendum” as an illegal one.

In addition, Chinese leaders preferred to refrain from hyping or exaggerating Crimea’s referendum impact on global politics and connecting the story to their own country’s issues like Taiwan, Tibet or Xinjiang.
China found many Western comments on the impact of Crimea’s accession on China’s home separatist movement as overestimated. One of the most hysterical anticipations, for instance, was made by a prominent American sinologist Elizabeth Economy who nearly admitted the possibility that following Crimean scenario China’s neighbors Kazakhstan and Kyrgyzstan could cause ethnic problems in Xinjiang (Economy 2014).

In this situation, China has preferred to follow its long-run strategy of maintaining a comprehensive strategic partnership with Russia. The author is reminded of, in this regard, a statement of a very influential Chinese scholar, former Director of the Institute of Russian, Eastern European and Central Asian Studies at the Chinese Academy of Social Sciences and Member of Chinese People’s Political Consultative Conference, Li Jingjie, made as early as in 2006, that China should not oppose processes of re-integration in the post-Soviet area led by Russia.

The contemporary situation can hardly be compared to the period of the 1960s when China had not objected a conflict between the United States and the Soviet Union, described by Mao Zedong in terms of “sitting on top of the mountain to watch the tigers fight” (zuò shān guān hūdòu) and later defined by Lowell Dittmer as “unit-veto triangle” in Sino-Soviet-American geopolitical geometry (Dittmer 1992). Neither does it duplicate an even more equidistant framework of independent foreign policy (dùlízìzhū-dé wàijiāo zhèngcè) proclaimed by the CPC 12th Congress (Dittmer labels this period as “sinocentric romantic triangle”).

In 2014, China de facto took the position of amicable neutrality towards Russia, since it, primo, intensified economic cooperation with Russia amidst Western sanctions, secundo, did not drop multilateral cooperation with Russia on major platforms like the SCO, BRICS, G20, APEC or CICA, and tertio, prevented the US and EU’s attempts to condemn Russia from international institutions like the UN or G20. On March 15, 2014, during a vote on the draft resolution in the UN Security Council (UNSC), which required recognizing the Crimea referendum illegal, Russia, as expected, vetoed the proposal, and China abstained from voting while thirteen members of the body voted in favor. Thus, China distanced itself from the very idea of voting on such a controversial UN resolution and simultaneously prevented Russia from falling into complete international isolation on this fundamentally important issue.

In his remarks after the vote was held, Permanent Representative of China to the United Nations Liu Jieyi stated that “China has called on the
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international community to make constructive efforts to ease the situation in Ukraine and conduct mediation through good offices mechanism. We also note that there is some new progress in this regard, a number of new proposals. The Security Council draft resolution at this time, can only result in further opposition of the parties and more complex situations, that does not meet the common interests of the Ukrainian people and the international community. Based on the above considerations, we can only abstain from voting on the draft resolution.”

It is noteworthy that China adhered to a position of active, not passive neutrality on the Crimean issue. Primo, on the same UNSC meeting, China’s envoy offered a three-point plan for resolving the political crisis in Ukraine:

- to establish an international coordinating mechanism consisting of all concerned parities to explore means to a political settlement of the Ukrainian crisis;
- all parties should refrain from taking any escalatory actions;
- international financial institutions should start to explore how to help restore economic and financial stability in Ukraine (Anlihui wei neng tongguo Wukelan wenti jueyi caoan 2014).

Secundo, China’s proposal of good offices (woxuan) appears to be quite close to Russia’s insistence on the OECD’s leading role in the process of reconciliation in Eastern Ukraine and, on the other hand, is strikingly different from the West’s approach of “enforcement through sanctions.”

China, meanwhile, kept following a fine line on the issue. When asked at a regular press conference on March 17, if China would recognize Crimea as part of Russia, Foreign Ministry Spokesman Hong Lei gave a noncommittal response: “China always respects all countries’ sovereignty, independence and territorial integrity. The Crimean issue should be resolved politically under a framework of law and order. All parties should exercise restraint and refrain from raising the tension. The international community should play a constructive role in defusing the current tension” (Foreign Ministry Spokesperson 2014). China did not, apparently, support the results of the Crimean referendum, however, China’s statements contained no criticism of Russia’s doings.

In the ensuing comments of the official paper Global Times understanding of Russia’s position was expressed more clearly. It placed the blame for the ongoing crisis squarely on the West for supporting the original protests against the ousted government. It stated that “many of those West-backed street protesters, who overthrew a democratically elected,
albeit corrupt, government are members of the neo-Nazi groups including the Svoboda (Freedom) Party, the Right Sector and paramilitary group UNA-UNSO” (Yu Bin 2014).

Finally, on March 27 during a vote in the UN General Assembly (UNGA) Resolution titled “Territorial Integrity of Ukraine” which called on states, international organizations and specialized agencies not to recognize any change in the status of Crimea and Sevastopol, China abstained again. The resolution was adopted with a voting of 100 in favor to 11 against, with 58 abstentions. 24 states did not participate in voting (General Assembly 2014).

![Figure 1. Percentage of States that Voted in Favor and Not in Favor of Anti-Russian Resolutions in the UN Security Council and General Assembly](source: United Nations Reports)

The insignificant majority of states that adopted the UNGA resolution (see Figure 1) manifested that China’s strategy of balanced and active neutrality has found considerable support among nations. It is noteworthy that all members of BRICS and the SCO did not oppose Russia’s position during the voting.

But in regards to Crimea, China is conducting a policy of active neutrality not only in the political but as well in economic sphere. China expects to resume existing and to develop new investment projects in this new region of Russia especially when the situation there stabilizes signifi-
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It should be emphasized that the Crimean Peninsula is familiar enough for many Chinese politicians and businesspeople. Chinese presidents Jiang Zemin in 2001 ended and Hu Jintao in 2011 began their visits to Ukraine with trips to Crimea. Up to 2013, the region was considered as one of the most important strongholds of the Sino-Ukrainian strategic partnership.

After reintegration with Russia, Crimea’s perspectives of economic cooperation with China could be much broader. Russian government officials repeatedly stated that Crimea should become one of biggest bases of shipbuilding, including export-oriented ones.

According to the contract signed in 2009, China ordered four Bison-type amphibious hovercrafts from the Feodosia shipbuilding company “Sea” but the takeover of Crimea hindered the full implementation of the contract under Ukrainian jurisdiction. The first vessel was delivered to the customer in May 2013, but the second one was towed from Crimea without conducting sea trials at the beginning of March. The People’s Liberation Army Navy will inevitably address Russia for technical assistance in conducting sea trials and in the construction of two other ships in Chinese plants. Another Crimean shipbuilding plant “Bay” in Kerch, which specializes in construction of military ships, tankers, fixed offshore platforms and ice-class vessels can also cause interest from Chinese consumers (Yu 2014).

It is expected that the attractive sphere for Chinese investors will significantly extend beyond the shipbuilding industry solely. Thus, in April 2014, during a visit to China, Russian Vice Prime Minister Arkady Dvorkovich found interest towards Crimean wind electric generation facilities from Chinese companies operating in the field of alternative energy (Китай заинтересован в проектах… 2014).

A month later, the media reported about the possible participation of Beijing-based China Communications Construction Company (CCCC) in the construction of the region’s largest infrastructure facility – a multimodal bridge across the Kerch Strait, whose total cost is estimated to be worth up to 6 billion US dollars.

After negotiations in China, the Chairman of the Board of State Company Russian Highways (Avtodor) Sergey Kelbakh emphasized that CCCC has made a number of proposals for the project that could transform it into full-fledged transport corridor. The initiative would include not only the construction of a road-rail bridge, but also take into account the need for providing the peninsula with fresh water and electricity. According to
the news, the parties also discussed a possible financing scheme based on the use of national currencies to reduce potential risks created by Western sanctions (Китайская компания СССР… 2014).

**Conclusion**

China’s calculations on the Ukraine crisis are in essence focusing their attention on the issue of the extent this crisis could impact the country’s role in international affairs.

On one hand, Russia’s “peaceful entering” in Crimea has emboldened hardline revisionism in China as well as all over the world. From this point of view, Russia’s confrontation with the US and EU over Southeast Ukraine will help reduce, at least for a time being, China’s strategic pressure from the West.

However, new geopolitics in Eastern Europe will simultaneously implicate the future of Sino-Russian relations *per se*. The successful experience of China’s reforms and opening up policy for three and a half decades predicts that in a contemporary globalized world economic power rather than military strength decides geopolitical competitions. China is highly interested in the reorientation of Russia’s energy corridors from Europe towards the Pacific, Russia’s engagement in Asian (*e.g.* Hong Kong and Shanghai) financial markets and the mutual use and transfer of advanced technologies.

With regard to the effects of Ukraine’s chaos and the dialectic of Sino-Russian relations, there are substantially two contradictory options for China.

The first option is that in the short and medium run, Ukraine will continue to be a region of chronic if not increasing instability. During the last twenty years the Ukrainian elite have created a generation for whom the nationalistic and xenophobic games mean more than compliance with the rules, and within the last year, this uncontrolled social stratum has armed heavily. The current reality of social life in Ukraine is that not only political, but also economic issues are resolved in the squares (*maidans*) and streets. In such circumstances, serious investors (including those from China) could hardly dare to deal with Ukraine.

Perspectives of Crimea are more attractive for China. The peninsula strongly needs investments to revitalize its infrastructure, which has been undeveloped in the post-Soviet period, and looks forward to mega projects crucial for its future prosperity. For China, on its part, Crimea and
the entire Black Sea Region could become a critical milestone connecting Asian and European sections of its newly proposed strategy of a Silk Road Economic Belt.

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