



Chinese investment in Ukraine could be costly casualty of conflict with Russia

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Ukraine's escalating tensions with Russia could cost the former Soviet republic billions in aid and investment from China, which has in recent years developed close economic ties with Kiev.

Late last year, Beijing reportedly struck a multibillion-dollar deal to lease vast amounts of eastern Ukrainian farmland to feed its exploding population, and also pledged \$8 billion in aid to the cash-strapped nation. Those deals came after the administration of recently ousted President Viktor Yanukovich aggressively courted Chinese investment. But with Yanukovich gone and Kiev locked in confrontation with Moscow, China could be forced to choose sides. China's alliance with Russia and its unfamiliarity with the new Ukrainian government has put in jeopardy the investment Ukraine desperately needs, according to experts.

“If I was China, I’d be concerned about any investment in an economy that’s clearly in bad shape, which the Ukrainian economy clearly is,” said Doug Bandow, senior fellow at the Washington-based Cato Institute. “Obviously, the potential for conflict, including their political instability, is going to have a negative impact on all economic relationships.”

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- James 'Ace' Lyons, retired Navy Admiral

China could seek to keep the deals in place, while claiming neutrality in the conflict between Russia and Ukraine, Bandow told FoxNews.com. But Russia will likely not be pleased.

“I’d say I’m building this for the future if the Russians ask,” he said. “Putin also doesn’t need another problem with the Chinese ... he has a lot on his plate. He’s already challenging the West, there’s no reason to challenge the Chinese.”

“The Chinese will likely say our economic deal is not part of this bigger problem. You guys have a political problem, we just want an economic deal; we made an investment.”

Some estimates of Chinese aid packages to Ukraine approach \$20 billion just in the past two years, and Reuters reported in September that the farmland deal included 3 million hectares of Ukrainian land — 7.4 million acres — or an area roughly the size of Belgium. But Ukrainian agricultural firm KSG Agro later denied those reports, saying that the agreement was a “letter of intent” concerning a transfer of irrigation technology for an area of just 3,000 hectares. The land is in the eastern portion of the country, where more ethnic Russians live.

“This is just the first stage of a project that may in the future gradually expand to cover more areas covered by the drip irrigation systems as well as the first stage of cooperation in the area of application of modern technologies in crop production, vegetable growing and pig farming,” the company said in a statement. “KSG Agro does not intend or have any right to sell land to foreigners, including the Chinese.”

The Chinese are already pressuring Kiev to clarify where it stands on those deals and Putin will likely leave that decision between the Ukrainians and the Chinese, according to Dean Cheng, senior research fellow for Chinese political and security affairs at The Heritage Foundation. Ultimately, if pressured to make a decision, China will likely side with Russia, but in a “very limited way,” he said.

“Undoubtedly, there’s some question as to whether this new government will honor these previous contracts for however many hectares is ultimately agreed upon,” Cheng told FoxNews.com. “That being said, it’s useful to note that in 2008, when Russia rolled into Georgia, the Chinese were thunderously silent about whether they supported the Russian intervention.”

As Russia's hold continues on Crimea, a predominantly Russian-speaking region in the country’s southeast, China's UN ambassador, Liu Jieyi, stopped short of endorsing the show of force, calling for “principles of non-interference” while respecting Ukraine’s “independence, sovereignty and territorial integrity.”

Cheng said that response by the Chinese, who prefer autocracies to democratic movements, is in stark contrast to its take when it urged the United States not to take unilateral action against Syria following chemical weapons attacks that killed at least 1,429 civilians.

“What we’ve seen are Chinese statements that are profoundly opaque, but what it comes down to is they are absolutely not condemning Moscow,” Cheng said. “They are, depending on how you spin it, studiously neutral but also not condemning it.”

Meanwhile, James “Ace” Lyons, a retired admiral in the U.S. Navy, said he fully expects Putin to put pressure on China to ultimately negate any investment in the new Ukrainian government.

“If I were Putin, that would be the tact I’d be taking against China,” Lyons told FoxNews.com. “It’s a question as to whether China will accede to it ... You have to count on that. Ukraine is Russia’s breadbasket, it always has been. It would be out of character for Putin not to try and disrupt that deal.”