CHINESE – UKRAINIAN COOPERATION UNDER THE FRAMEWORK OF THE BELT AND ROAD INITIATIVE

Summary. The current state of development of geopolitical processes marked a tendency towards a bipolarization of the world order. Global economic processes are evidence of China’s aspiration for wider representation in global politics and trade, if not the economic expansion. In this context, the implementation of the One Belt, One Road strategy opens up new opportunities not only for China itself, but also for its strategic partners. In the course of study of the prospects of Chinese-Ukrainian relations, it was established that there are a number of important prospects of Ukraine’s involvement in this geo-economic project. Analysis of the dynamics of foreign trade in goods between Ukraine and China revealed the need to intensify domestic industrial production. As a result of study of the prospects for expanding Ukraine’s participation in the One Belt, One Road project, not only the need to increase export earnings to China, but also identify opportunities for expansion into new markets in eastern direction was established. An important conclusion of the study was that the main emphasis in the further development of Chinese-Ukrainian relations should be directed at active attraction of the Chinese investment in domestic infrastructure projects. Special attention is also paid to the Ukraine’s initiative regarding the expansion of the New Silk Road in the direction of the Danube shipping, which will make it possible to more fully realize the trade and infrastructure potential of Ukraine.

Keywords: Chinese-Ukrainian relations, One Belt, One Road, Silk Road Economic Belt, infrastructure projects, transport corridors, transit of goods
Problem statement in general and its connection with important scientific or practical tasks. The current development of the post-bipolar world is marked by tendencies towards a new understanding of globalization trends. Sales markets and trade routes are being redistributed; the formation of industrial production is being changed based on the principles of revising the policy of energy dependence of large industries. In such conditions, the concept of international integration and the model of international relations are being reviewed. New forms of transnational cooperation arise based on joint infrastructure projects.
and building new trade routes. The rapid movement of goods, the reduction of transaction and transport costs, the development of infrastructure projects - all these are the main trends of the new model of economic growth in developed countries. This is most clearly demonstrated by an example of China, which has for the past ten years been successfully implementing foreign trade and foreign policy expansion under the One Belt, One Road program. This policy is aimed not only at establishing trade communication between China and Europe, but has also much deeper strategic goals of PRC’s foreign economic development. A new bipolarization of the world is taking place, opening up new opportunities for Ukraine as a transit country and potential regional leader in its relations with China in the course of implementation by the latter of its infrastructure projects under the One Belt, One Road concept. At the same time, China has an increasing interest in the countries of Central and Eastern Europe and in Ukraine, which is the first gateway to Europe: it is indicated by the presence of the big Chinese companies like Lenovo, Huawei, COFCO, CNNC, CCEC, China Harbor Engineering Company (CHEC) in Ukraine, proposals to sign a free trade agreement and to launch a mutual visa-free regime etc.

**Analysis of recent research and publications which provide the solution to this issue and on which the author relies.** Traditionally, the Chinese-Ukrainian relations are the subject of active scientific discussion in terms of the prospects for the development of the domestic economy. But it is Ukraine’s participation in the implementation of the New Silk Road policy that has recently been considered by the scientific community as a new opportunity for diversification of foreign economic and foreign policy ties. The most relevant in this context are the studies of A.Z. Honcharuk, O.V. Hobova, V.O. Kiktenko [1], S.A. Koshovyi [4], P. Cai [8], X. Pu [10], D.S. Pokryshko, S.O. Radzievska, I.V. Us [6], Ch.E. Ziegler [11], Guan Jinlin, A. Halchynskyi, V. Heets, M. Hrymska, P. Lenskyi, D.O. Oliinyk, Yu. Pakhomov, V. Sidenko, Shi Ya-Jun and others.

**Objective of the research paper.** The objective of this research paper is to analyze the current state and prospects of further cooperation between Ukraine and China within the framework of the Belt and Road Initiative.

**Research findings.** The model of globalization and economic cooperation used by China is one of the best and most effective strategies of intergovernmental integration at the beginning of the 21st century. Under the conditions of unipolar world, China managed to turn into a powerful trading partner of not only the United States, but also of most other industrialized countries, which provided China with currency earnings in the amounts that made it possible to rebuild their own economy and realize political ambitions. China is trying to position itself as a counterweight to the US in the global arena; to do so; China’s political leadership understands the need for expansion into other countries, thus providing itself with stable markets for its own products.

In this context, the policy line of China’s leadership is extremely prudent, and its geo-economic strategies are systemic and cover all spheres of public relations. ‘At the end of 2013 Chinese President Xi Jinping announced one of China’s most ambitious foreign policy and economic initiatives. He called for the building of a Silk Road Economic Belt and a 21st Century Maritime Silk Road, collectively referred to as One Belt, One Road (OBOR) but which has also come to be known as the Belt and Road Initiative. Xi’s vision is an ambitious program of infrastructure building to connect China’s less-developed border regions with neighbouring countries. OBOR is arguably one of the largest development plans in modern history’ [Ошибка! Источник ссылки не найден.], p. 5. These initiatives, according to S.O. Radzievska, I.V. Us, D.S. Pokryshko, confirm ‘China’s attempts to become a leading, and even the main global player. To achieve this, the implementation of the One Belt, One Road concept will contribute to providing the economy of China and other Eurasian countries with urgently needed energy resources from the Near and Middle East, Central Asia’ [5, p. 152-154]. That is, the actual implementation of China’s new trade strategy is a “soft expansion”
policy through building new transport corridors and developing trade between Asia and Europe with the simultaneous implementation of infrastructure projects in transit countries.

Pu X. Notes: ‘As China’s geo-economic strategy, OBOR will largely depend on the resilience and strength of China’s economic power. The Chinese economy faces increasing challenges, and OBOR cannot solve all of China’s economic problems. Ultimately, China’s domestic reforms will determine whether its economy will be transformed into a more sustainable model. In this sense, Chinese foreign policies are an extension of China domestic politics’ [Ошибка! Источник ссылки не найден.]. With such an understanding of the One Belt, One Road concept, it seems quite reasonable to join Ukraine to it through the intensification of bilateral relations with China, since one way or another, Ukraine is an integral part of the New Silk Road (Fig. 1).

![Fig. 1. Place of Ukraine in the geographic structure of the One Belt, One Road concept](image)

As Ye. Yaroshenko, V. Perebyinis rightly point out, ‘in the strategies of Beijing, Ukraine is assigned the role of an “axial state”, which may be the bridge between China, Russia and the EU. In turn, despite the promising nature of the Chinese vector, Ukraine passively joins the initiatives of the new global center of power. Thus, Ukraine shows low political will to build joint infrastructure projects. In particular, China has repeatedly declared its desire to invest in the modernization of Ukrainian ports, which can serve for the transport of Chinese products to EU markets’ [6, p. 18]. According to A.Z. Honcharuk, Ye.V. Hobov et al., ‘the advantage of Ukraine among all other countries in the region of Central and Eastern Europe is that it is possible to deliver goods through the ports of Ukraine in two directions: from China to Europe and from Europe to China, because a big problem for the Chinese is that the trains coming from China to Europe with goods return empty’ [1, p. 34].

All this demonstrates the potential for the development of bilateral relations within the framework of the implementation of the One Belt, One Road Concept. But to our opinion, the reasons and even the need for Ukraine to join this project is expressed in the following:

- The need to diversify the foreign policy vector in order to find new strategic partners not only in the economy but also in geopolitical projects and cooperation;
- The need of the domestic economy for the investment resources available in China;
- The need for additional leverage and additional potential for Ukraine’s influence on the process of its accession to the EU. (As part of the implementation of the One Belt, One Road concept, Ukraine will turn into a powerful, if not the major, transit country...
between Europe, Central Asia and the Far East, which can have a significant impact on the cost of transportation, with rates to be regulated by the political leadership of Ukraine depending on the degree of achievement of their own interests in Europe);

- Intensification of trade, which can increase the economic activity of the regions involved in the processes of cargo transportation, creating the preconditions for stimulating the economic activity associated with the maintenance of infrastructure facilities;
- Renovation of Ukraine’s transport infrastructure;
- Realization of Ukraine’s potential as a regional economic and political leader in the post-Soviet space and among Eastern European countries.

The latter is revealed through the mechanism and feature of building the whole concept of One Belt, One Road. The fact is that it involves the simultaneous availability of several geopolitical and geo-economic projects. Thus, ‘one of the ways of expanding cooperation between Ukraine and China could be Ukraine’s participation in the format of existing cooperation of the PRC with the countries of Central and Eastern Europe “16+1” in view of Ukraine’s belonging to this region and its status as an associated EU member. In this regard, it is also important for Ukraine to build its own agenda, primarily focusing on its own economic interests, while objectively evaluating opportunities and benefiting from the integration mechanisms that are in the formation stage’ [3, pp. 108-110].

With $8 billion in bilateral trade and a pledge of at least $7 billion from China for major infrastructure projects in Ukraine, the relationship between the two countries appears to be both strong and profitable – particularly so for Ukraine, which is constructing new energy projects, highways, and a fourth metro line in Kyiv all with Chinese-supplied credit.

As it is estimated by authors, the main potential and basic preferences of Ukraine’s participation in the new geopolitical strategy of China will be revealed in the field of foreign trade, due to increased exports and growth of its own industrial potential and Ukraine’s trade with China. The availability of infrastructure and trade routes financed by China open up access of domestic goods to new markets without the need to invest in transit corridors through using the existing New Silk Road and Maritime Silk Road within the One Belt, One Road concept. As for the economic component of the cooperation between Ukraine and China, the demonstration of the dynamics of foreign trade in goods between the two countries and its commodity structure (Table 1, Table 2, Figure 2).

Table 1. Dynamics of foreign trade in goods with China in 2012-9 months of 2018 [2]

<table>
<thead>
<tr>
<th>Years</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million USD</td>
<td>in % to the previous period</td>
<td>million USD</td>
</tr>
<tr>
<td>9 months of 2018*</td>
<td>1443,8</td>
<td>99,1</td>
<td>5229,4</td>
</tr>
<tr>
<td>2017*</td>
<td>2039,3</td>
<td>111,3</td>
<td>5648,7</td>
</tr>
<tr>
<td>2016*</td>
<td>1832,5</td>
<td>76,4</td>
<td>4687,7</td>
</tr>
<tr>
<td>2015*</td>
<td>2399,1</td>
<td>89,7</td>
<td>3770,9</td>
</tr>
<tr>
<td>2014*</td>
<td>2674,1</td>
<td>99,4</td>
<td>5410,9</td>
</tr>
<tr>
<td>2013</td>
<td>2726,7</td>
<td>153,4</td>
<td>7900,7</td>
</tr>
<tr>
<td>2012</td>
<td>1777,2</td>
<td>81,5</td>
<td>7899,6</td>
</tr>
</tbody>
</table>

* without taking into account GRP of temporarily occupied territories
So, several conclusions can be drawn at once:

Firstly, the analysis starts from 2012 - the actual year of Ukraine’s decision to intensify relations with China, and therefore it can be argued that there are certain positive trends in the period of 2012-2015, when the balance of foreign trade between Ukraine and China was lined up towards Ukrainian exports;

Secondly, the aggression of the Russian Federation towards Ukraine led to objectively negative consequences of the reduction of industrial production, which was one of the reasons for the reduction of real GDP of Ukraine;

Thirdly, there is a systematic decrease in the dependence of the Ukrainian economy on imports from China, which manifests itself in a certain stable volume of imports of goods from China in the range of $4.6-5.6 billion, accompanied by steady decline in domestic exports to China.

This does not mean, however, that Ukraine does not receive preferences from the implementation of China’s One Belt, One Road strategy, as this strategy provides for the possibility of implementing new vectors of foreign trade throughout the New Silk Road. Instead, there is a concern about the change in the structure and dynamics of domestic exports of goods to China by main groups of goods (Table 2, Figure 2), which indicates the need to find new models and new strategies for the development of foreign economic relations between Ukraine and China, especially considering the transport and transit potential Ukraine in the aspect of increasing international pressure on Russia, which has a considerable length of trade routes.

### Table 2.

<table>
<thead>
<tr>
<th>Goods</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>9 months of 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>cost, million USD</td>
<td>in % to total volume</td>
<td>cost, million USD</td>
<td>in % to total volume</td>
<td>cost, million USD</td>
</tr>
<tr>
<td>cereal crops</td>
<td>368,8</td>
<td>13.8</td>
<td>676,9</td>
<td>28,2</td>
<td>464,1</td>
</tr>
<tr>
<td>fats and oils of animal or vegetable origin</td>
<td>363,5</td>
<td>13,6</td>
<td>533,2</td>
<td>22,2</td>
<td>527,2</td>
</tr>
<tr>
<td>ores, slags and ashes</td>
<td>1607,8</td>
<td>60,1</td>
<td>964,2</td>
<td>40,2</td>
<td>635,9</td>
</tr>
<tr>
<td>nuclear reactors, boilers, machinery</td>
<td>96,9</td>
<td>3,6</td>
<td>70,3</td>
<td>2,9</td>
<td>42,1</td>
</tr>
<tr>
<td>electrical machinery</td>
<td>11,9</td>
<td>0,4</td>
<td>17,9</td>
<td>0,7</td>
<td>22,6</td>
</tr>
</tbody>
</table>

As evidenced by the data presented, the structure of domestic exports to China is dominated by raw materials. The exception is precision mechanical engineering, but its products’ share in the aggregate is only over 9% in 2018, although it has been steadily increasing over the past five years. Instead, the share of slags or ashes used in China for metallurgical production, as well as cereal crops, is tangible. In general, the dynamics of changes in the structure of foreign trade with China (Figure 2) shows that the export of goods...
to China in the price terms is constantly fluctuating. On the one hand, this can be explained by the seasonality and peculiarities of certain technological processes, on the other hand, by the general decline in exports, and in particular the China’s demand for domestic products. Under these circumstances, it is quite logical to conclude that Ukraine’s participation in China’s One Belt, One Road strategy is ineffective, fragmentary, and does not reveal the domestic potential and capacity of domestic industry, but rather creates an obstacle to economic growth and expansion of the economic potential through access to cheaper products from China.

Fig. 2. Dynamics of the structure of foreign trade with China in 2014-2018 in terms of the most important commodity groups, % [4].

Analyzing the above statistics, it is worth pointing out that the Chinese-Ukrainian relations should be developed taking into account the needs of the domestic market of Ukraine, as well as satisfaction of the strategic prospects of development of the domestic economy, rather than through the extensive development of the domestic industrial sector by replacing domestic products and raw materials with cheap goods from China. As we can see, the trade in the agricultural sector from Ukraine to China is growing and it composites one very profitable option. But, as the specialists pointed out, it is important to take into account that China often establishes unspoken instructions on the policy of cooperation with other countries. For example, there are periods when Chinese state companies received subsidies for cooperation with Ukrainian enterprises in the agrarian sector. There were periods when subsidies were given for cooperation with other CIS countries [11]

The availability and arrangement of the main transport arteries within the framework of One Belt, One Road demonstrates the necessity of promoting the following directions of development of the national geo-economic strategy:

Expanding the export range in the eastern direction within the framework of the New Silk Road, with the aim of gaining access to new markets in Central Asia that do not have the same strategic significance for China as the more capacious and solvent European market;

Development of projects within the framework of the Maritime Silk Road of the 21st century, with the involvement and expansion of the role of such ports as Odesa and Izmail in order to join Danube shipping to the One Belt, One Road concept. In my opinion, this is one of the most priority directions of further development of the given One Belt, One Road strategy. Ukraine, initiating the accession of the Danube ports to this trade route, will turn into a powerful cargo hub of river shipping, which will simultaneously increase the turnover of
goods, as well as provide an opportunity to stimulate the renewal of its own merchant fleet. In doing so, the infrastructure component of this area of implementation of the One Belt, One Road strategy will be financed at the expense of China. Such a direction will ensure economic growth of the south-western region of Ukraine, and will transform Reni, Illichivsk into even more powerful ports, and Odesa - into the center of commercial shipping throughout the south-eastern region of the EU. In this way, Ukraine obtains two important preferences at once: the potential protection of trade route by China in the event of possible Russian aggression against Ukraine, which will actually transform China into a real strategic partner of Ukraine. Secondly, it will enable to intensify domestic demand in such fields as: mechanical engineering, shipbuilding, ship repair, construction, etc.

Revival of a number of regional unions, in particular GUAM, in the format of Georgia, Ukraine, Azerbaijan, Moldova, which will actually provide access of Ukrainian goods to the markets of these countries, as well as significantly reduce transaction costs for the transit of domestic goods through these countries to new markets in Central Asia. It should be understood that global shifts towards the Chinese market today are extremely difficult and almost impossible for Ukraine (excluding precision engineering and heavy mechanical engineering, electronics, aircraft building, etc.). All other sectors of the domestic economy have a low level of competitiveness in the aspect of the primary cost element in comparison with Chinese goods;

Promotion of the role and participation of Ukraine in political processes within the framework of the One Belt, One Road concept, which will allow finding new partners, access to which markets can provide sustainable economic growth of a number of priority export-oriented branches of the national economy: mechanical engineering; agro-industrial sector; rocket production; pharmaceutical industry, etc. The political component, if shown through the example of China, actually enabled the latter to pursue a soft, gradual expansion in relation to the countries with relatively weak economies. Similarly, Ukraine’s expansion may be possible, not so large-scale, albeit due to more technological products;

Implementation of large infrastructure projects; this direction of promotion of Ukraine’s participation in the One Belt, One Road is the most urgent given the current problem of working capital and the state’s inability, in the conditions of the martial law imposed on part of the territories, to divert state funds for the renewal of transport corridors. On the other hand, such renewal will be considered as investment, and should be carried out to increase Ukraine’s importance within the framework of the One Belt, One Road. However, the current state of the Chinese-Ukrainian relations shows the greatest PRC’s interest in infrastructure projects. Thus, there are promising projects for deepening the water area of a number of domestic ports in the framework of the development of merchant shipping. However, recent Russian actions against Ukraine in the Azov Sea significantly reduce the interest of Chinese investors in Ukraine.

Thus, it can be concluded that Ukraine does not use the potentials available in the China’s geo-economic strategy of One Belt, One Road to the maximum possible extent. The main problem is that its implementation does not involve bilateral relations, but the development of the network of certain strategic territorial or regional unions and alliances, the existence of which is dictated by the short-term interests of the implementation of infrastructure projects and temporary transit. Instead, after the One Belt, One Road is implemented to the maximum possible extent, and transport corridors turn into established infrastructure networks, there will be prospects for the so-called secondary effect - the development of local economic initiatives and the intensification of economic activity of business entities of the regional and territorial level aimed at servicing the existing transport corridors and the needs of the movement of goods. As it was mentioned, since One Belt – One Road initiative is designed specifically to improve transportation across continents, China is more interested in building lanes and logistic hubs along the route to service massive
exports it will dispatch to European countries and beyond. Ukraine can obviously help China facilitate its trade as a storehouse of materials or as a logistic hub [9]

Conclusions. Summing up the current state and prospects of China-Ukraine relations within the framework of the Belt and Road Initiative, one should focus on the following key factors:

Firstly, there is a need to intensify domestic exports to China within the already established trade and transport corridors in China, which will significantly reduce the transport costs of domestic producers.

Secondly, it is necessary to expand cooperation with China within the framework of implementation of infrastructure projects on the territory of Ukraine. It is important to pay attention to the opportunities associated with the intensification of rail, sea and air connections. Attracting Chinese investors to the implementation of the most priority infrastructure projects in Ukraine will help address one of the main tasks - modernizing and expanding the transport corridors.

Thirdly, it is necessary to shift the emphasis from purely Chinese-Ukrainian relations in the direction of expanding strategic prospects for economic cooperation with the member countries of the Belt and Road Initiative. In this way, Ukrainian exports will find new markets, and Ukraine will get new strategic partners to potentially turn economic cooperation with them into political interaction.

It seems that the Ukrainian government ought to pay much more attention to the projects with Chinese investments and provide if not guarantees, than surveillance or regulatory facilitation, so that they are successfully completed. It is crucial since creating positive precedents of cooperation will surely inspire new deals. Ukraine should make the most out of its being situated very close to the OBOR route, since it would increase the profits of our country through attracting more resources from China. Chinese entities tend to generously invest in the countries along the route, so Ukraine’s government should actively merchandise its advantages that could be targets of China’s surging investments. Vice-Prime-Minister of Ukraine S. Kubiv, as a head of Ukrainian delegation took part in May 2017 OBOR Forum in Beijing and pointed out: “Ukraine is a principal logistical hub between Europe and Asia So, for the construction of the new “Ukrainian part” of the Belt we are ready to facilitate the collaboration between China and Ukraine with the final realization of the products in the European Union market” [14, p.14].

To conclude, some common estimation could be provided: Ukraine-China relations have a serious background and good perspectives for the future, right now only 12% of the potential of Ukraine are used for this collaboration. The main reasons of low level of relationship:

- Stagnation in the political dialog on the official level (there were no mutual state visits since 2013)
- There is no clear understanding of the B&R initiative’s main objectives at the governmental level
- Lack of the information in both countries and as a result the sides are not trusted enough
- Different state strategies (long-term in China and short-term in Ukraine)
- Financial problems and instability in Ukraine (weak legal bases, change of the rules and regulations, corruption).

Way forward to improve the collaboration should include, as we estimate, lays on the intensification of bilateral political dialog, mass-media direct cooperation (without 3-d parties) and active information policy in both countries, government’s support to Ukrainian businessmen and companies, exchange of specialists and experts on the different levels: national, regional, municipal and, finally a special attention to infrastructure projects to insure that the transit potential of Ukraine will be taken into consideration.
In general, it should be noted that the Chinese-Ukrainian cooperation within the framework of the Belt and Road Initiative shall not be considered as a purely economic opportunity. The political leadership of Ukraine should proceed from the fact that it is necessary to establish new unions and alliances, in which Ukraine must realize its own potential to become a regional political and economic leader, within the framework of the implementation of this ambitious project of geopolitical and geo-economic orientation. Ukraine sees OBOR as a geo-economic project, an initiative to stimulate the growth of the Eurasian economy, which in general coincides with Chinese views. One very important fact is that OBOR does not contradict Ukraine’s aspirations for further economic cooperation with the European Union and, on the other hand, can strengthen the merits of Ukraine and offer incentives for the development in general.

References
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