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**ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

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UDC 339.54

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**ECONOMIC AND SECURITY DIMENSIONS OF UKRAINE'S INTERESTS IN COOPERATION WITH CHINA**

**Abstract.** *The article deals with description and analysis of the economic cooperation between Ukraine and China. The economic and security interests of the countries are highlighted. The priority areas of bilateral relations are determined. The problems and prospects of development of Ukrainian-Chinese cooperation are indicated.*

**Keywords:** *cooperation; Ukraine; China; economic interests; security interests.*

В. В. Левківський, аспірант

**ЕКОНОМІЧНИЙ І БЕЗПЕКОВИЙ ВИМІР ІНТЕРЕСІВ УКРАЇНИ В СПІВПРАЦІ З КНР**

**Анотація.** *У статті подається характеристика та аналіз економічного співробітництва України і Китаю. Окреслено економічні та безпекові інтереси країн. Виділено пріоритетні напрями двосторонніх відносин. Вказується на проблеми та перспективи розвитку українсько-китайського співробітництва.*

**Ключові слова:** *співробітництво; Україна; Китай; економічні інтереси; безпекові інтереси.*

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**ИЗМЕРЕНИЕ ЭКОНОМИЧЕСКОЕ И ИЗМЕРЕНИЕ БЕЗОПАСНОСТИ ИНТЕРЕСОВ УКРАИНЫ В СОТРУДНИЧЕСТВЕ С КНР**

**Аннотация.** *В статье дается характеристика и анализ экономического сотрудничества Украины и Китая. Обозначены экономические интересы и интересы безопасности стран. Выделены приоритетные направления двусторонних отношений. Указывается на проблемы и перспективы развития украинско-китайского сотрудничества.*

**Ключевые слова:** *сотрудничество; Украина; Китай; экономические интересы; интересы безопасности.*

**Urgency of the research.** Today, the important direction for the development of Ukraine's foreign economic relations becomes China. The growth of Chinese vector for the national economy is explained by the scale of Chinese domestic market and its investment attractiveness. In this context, the issue of Ukraine's economic and security interests in bilateral cooperation becomes extremely urgent. This becomes especially relevant in modern conditions, when a significant reduction in trade relations with Russian Federation has occurred, and deep integration with the European Union has not yet been achieved.

**Target setting.** Current relations between Ukraine and China require substantial reboot. In order to implement its own economic interests Ukraine should offer various forms of boosting bilateral relations, establish clear benchmarks for Chinese business, outline security interests in cooperation with China.

**Actual scientific researches and issues analysis.** The study of this issue is the object of scientific attention of domestic and foreign scholars. Among domestic scientists A. Goncharuk, V. Kiktenko, I. Pogorelov, A. Filipenko, L. Chekalenko, Y. Yaroshenko and others should be noted. Considerable attention to the issues of Ukrainian-Chinese cooperation was devoted by foreign researchers, such as S. Blank, T. Ivanski, V. Kashyn, N. Suzdaltseva, Jiang Xiaozhuang, Zhang Yuwen and others. However, their works concern to overall coverage of the selected issue, without studying Ukraine's economic and security interests in cooperation with China.

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**The research objective.** The purpose of this article lies in comprehensive analysis of Ukrainian-Chinese relations and their economic and security component given present challenges.

**The statement of basic materials.** Today China is a global leader in the growth rates of industrial and financial capacity, the world's largest exporter, creditor and consumer of raw materials, has the largest foreign exchange reserves, and since 1<sup>st</sup> October 2016 Chinese yuan has become the fifth currency included in the IMF basket. At the same time, Chinese government announced intentions of creation of the world financial center in Shanghai by 2020. China has become a global power, having its own interests around the world. As noted by F. Fukuyama, China will grow beyond the framework of the Western model, creating a unique "state-civilization" that will have its own logic and cycles of development [1].

Given the growing impact of China on the world economy and formation of international policy landmarks, development of cooperation on mutual benefits basis opens up great opportunities for realization of both economic and political interests of Ukraine. The Chinese vector is an important compensator of those quantitative and qualitative losses incurred by Ukraine in trade with the European Union due to the low competitiveness of domestic products, its non-conformity with European standards and a significant reduction in trade relations with the Russian Federation due to military aggression. Despite the signed Association Agreement with the EU, Ukrainian trade balance remains negative. The EU share in total exports of Ukraine in 2015 was 34%, while imports valued at 41%. Exports to Russia fell by 35% in 2014 compared to 2013, and in 2015 the share of Ukrainian exports to Russia accounted for only 15% [2].

Therefore, additional opportunities for reforming national economy, improving the welfare of Ukrainian citizens lie in the plane of Ukrainian-Chinese cooperation. According to President of China, Xi Jinping, China will not only develop itself but also be responsible for the development of the whole world and contribute to this development, will create benefits not only for the people of China but for peoples all over the world [3, p.10]

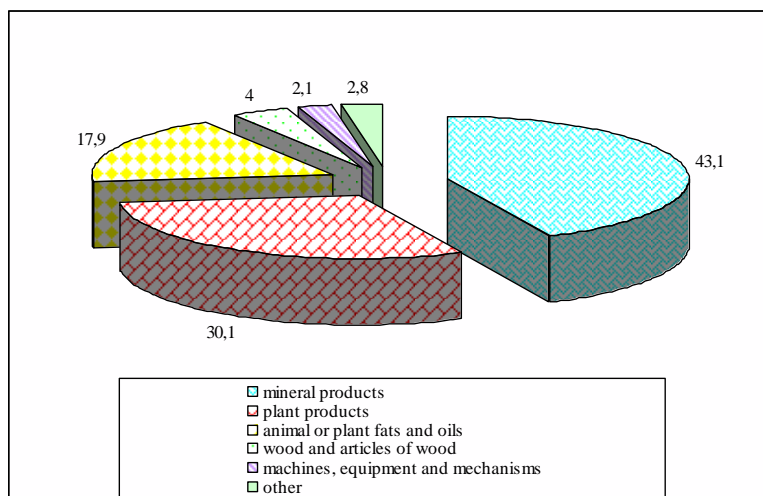
Today, Ukraine and China have declared strategic partnership, which is enshrined in the Joint Declaration on the establishment and development of relations of strategic partnership. The strategic nature of Ukrainian-Chinese relations is manifested in the implementation of trade-economic and investment projects. Ukraine is interested in utilization of existing potential of bilateral trade, considering it as a component of its inclusion into the trade flows between Europe and Asia. Currently, the trade turnover between the two countries is USD 6.2 billion. The level of Ukrainian exports to China in 2015 amounted to USD 2.4 billion, and the level of Chinese exports to Ukraine reached USD 3.8 billion [2].

It is necessary to change the existing asymmetry in cooperation, in spite of the difficulties that Ukraine is facing today. Narrowing of the gap between volumes of exports and imports and slowing the growth of trade deficit lie in the plane of investment and production cooperation, not raw materials. Currently, China ranks third among the largest trade partners of Ukraine, whose share in total exports is 6.3% [2]. The main feature of Ukraine's foreign trade with China is that raw materials component dominates in the structure of Ukrainian export (Fig. 1), which China then uses in manufacturing products which then compete with Ukrainian analogues in global markets.

Such structure of Ukrainian exports is explained by the presence of raw material model of economic development that has not created conditions for operation of technological production. The existence of such a model in our economy is characterized by low level of added value of domestic products and decrease in competitiveness, leading gradually to their driving out of the world market, particularly Chinese. Thus, according to the State Statistics Service of Ukraine, during seven months of 2016 exports of metallurgical products fell by 22.6% [2].

The challenges facing Ukraine today encourage it to reboot relations between the two countries. In this context, it is necessary to analyze the important agreements concluded with China, particularly "The Program of development of strategic partnership relations between Ukraine and China for 2014-2018".

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**Fig. 1. Major commodity groups of Ukraine's exports to China in 2015, (%) [2]**

To realize own economic interests, enhance development of bilateral relations, it is necessary to accelerate the implementation of joint projects in such sectors as agro-industrial, military-industrial, energy, machine building, aerospace and infrastructure. As an example of realization of Ukrainian space potential is cooperation with China in space industry. Currently, a five-year program with China for the development of Ukrainian space industry is being realized, a contract worth USD 67 million has been signed [4]. China has an obvious interest in the imports of high-tech finished products, and Ukraine should consider and use this to the interest of national production.

The economic interests of Ukraine in cooperation with China lie in the areas of investment cooperation. Currently, Chinese investment in Ukraine amounted to USD 22.6 million (0.48% of the total volume of foreign direct investment), and Ukrainian investment in China is only USD 1.4 million [5].

Certainly, such state of investment cooperation fits neither capabilities of China nor needs of Ukraine. To change the situation, it is necessary to significantly improve the investment climate. Chinese investors value stability, deprivation of corruption, reduction of shadow economy, improvement of judiciary system, and protection of property rights, etc. As of 2015, Ukraine ranked 162<sup>nd</sup> among 186 countries with respect to index of economic freedom, and 96<sup>th</sup> with respect to index of doing business [6]. Creating a system of incentives and mechanisms to attract foreign investment can serve the basis for further development of not only economic but also security relations.

In this context, it is important to cooperate in scientific and technological as well as military-technical areas. The priority directions of scientific and technological cooperation are aerospace, ship-building, development of information and communication technologies, which are implemented via such forms of cooperation as Ukrainian-Chinese centers and technoparks that are opened in such cities of China as Jinan, Shanghai, Zhenjiang [7, p.204]. Such cooperation gives an opportunity for Ukrainian IT companies to produce high quality goods and enter global markets. China is also considering the possibility of establishing and placing technoparks and industrial parks on the territory of Ukraine, where the attracted Chinese investment would create production capacities for export products to the EU. As Ukraine has the Association Agreement with the EU signed, China's interest in the implementation of such project is significantly increasing.

Strengthening of military-technical cooperation is made in terms of development and modernization of national defense industry, particularly through technological advances and conversion of scientific researches into military equipment of new generation. Given the fact that Ukrainian science is insufficiently funded, China's investment in new technologies, particularly in the defense industry, is paramount. Today, Ukrainian manufacturers, in particular "Motor-Sich" supply engines for production of Chinese combat aircraft L-15, as well as blocks for engines of Chinese modern destroyers.

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Among the priority areas of Ukrainian-Chinese cooperation agro-industrial complex should be noted. Having competitive advantages in this industry, Ukraine, together with China's investment capacities, can successfully implement various projects. Launch of the terminal for transshipment of grains and oilseeds in Mykolaiv region can be an example of realization of such projects. The investor was Chinese company Cofco Corporation with the investment volume of USD 75 million.

Apart from agro-industrial area, energy sector is attractive for Chinese partners. Thus, in September 2016, the state-owned Chinese company CNBM International Corporation and the Ministry of energy and coal industry of Ukraine signed the Memorandum on cooperation. The Chinese party will invest around USD 2 billion in modernization of power-generating and power-transferring equipment. In addition, the agreement was reached between the State Development Bank of China and "Naftogaz of Ukraine" on extending the credit program up to 25<sup>th</sup> December 2017 for a total amount of USD 3.65 billion [8]. These funds will be used for modernization of individual heating systems in private homes of low-income consumers; construction of thermal power plants in Kyiv and Lviv regions; as well as purchase of drilling and ancillary equipment to increase gas extraction of PJSC "Ukrasvydobuvannya".

An important direction of attracting Chinese investment could be privatization of state-owned companies. Ukrainian government has approved the privatization of 330 enterprises for 2016-2017. Chinese businesses can claim a number of acquisitions in energy, mining-metallurgical, food and other sectors, as access to resources is a major factor for Chinese investors.

The expansion of Chinese trade relations with European countries requires substantial changes in transport infrastructure. In this respect, Ukraine, given its unique geographical location and transit infrastructure capacity, is seen by China as an important participant in the implementation of the project of the «Great Silk Road». This is a unique opportunity for our country to take advantage of the benefits offered by the project. With Chinese investment, this country will be able to modernize the national economy. In addition, deepening cooperation with China, especially in the areas of transportation and transit infrastructure development, can significantly improve the prospects of Ukraine with respect to European integration [9, p.231].

An important direction in the expansion of Ukrainian-Chinese cooperation is promotion of dialogue with China in the security area [10, p.49]. Opportunely, we emphasize that China gave Ukraine security guarantees when our country abandoned nuclear weapons, and became the first country-guarantor of Ukrainian sovereignty and territorial integrity. Ukraine also consistently follows the policy of "unitary China", considers Taiwan as a province of China, and not as an independent state.

Currently, the interconnectedness of security interests of both countries is witnessed. The challenges and threats facing both Ukraine, within the European integration vector of development and counteracting military aggression of the Russian Federation, and China, due to high level of conflict with respect to "Taiwan issue" and territorial clashes between regional powers, necessitate acknowledgement of national interests of the countries and elaboration of the ways to realize them in the direction of intensification of Ukrainian-Chinese cooperation. In this regard, the words of German philosopher Karl Jaspers "peace comes not through coexistence, but through cooperation" are relevant [11, p.11]. Thus, Ukraine's participation in the project of "Great silk road" will promote not only economic growth but also solve the issue of national security, since having become part of transnational economic zone, Ukraine needs to be protected from encroachments on sovereignty and territorial integrity [12, p.108].

It is clear that deepening cooperation between Ukraine and China through the development such forms of cooperation as foreign trade, foreign investment, implementation of joint projects and production cooperation significantly increases the importance of security issues. In this respect, China, having a very hard position as to protection of its own interests, would be more proactive in protection of Ukraine.

**Conclusions.** Currently, Ukraine should make maximum efforts to improve Ukrainian-Chinese relations. In this respect, one should clearly determine the strategy for development of relations with China, and the specific objectives of bilateral cooperation. In tactical terms, these are intensification of cooperation in all economic areas, and improvement of foreign trade indices; but in strategic, – attraction of investment potential, advanced Chinese production technologies to modernize the national

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economy, as well as obtaining access for Ukrainian goods, services and technologies to the Chinese market.

Cooperation with China is not only the realization of economic interests, an opportunity to strengthen positions in the Chinese market, resolve the issue of financial and technical support, but the chance for maneuver in the international arena, strengthening of Ukraine's position on the global geopolitical map. China is currently an important player in the global community, and Ukraine could use its authority to ensure own interests [13].

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Received for publication 26. 10. 2016