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"ONE BELT, ONE ROAD" INITIATIVE - PROJECT OF WORLD SIGNIFICANCE: PROSPECTS FOR UKRAINE

The article presents the essence of the Chinese global initiative "One Belt, One Road", its strategic directions and economic corridors, and also identified five key components of cooperation. It is proved that the initiative promotes strengthening of relations and interaction between countries, creation of a favorable climate for investment, effective exchange of goods, services, capital, technologies and personnel. The financial mechanism of support of the initiative is presented. The state of trade and economic cooperation between Ukraine and China is analyzed, as well as benefits for Ukraine from participation in the initiative.

Key words: *initiative "One belt, One road", effective interaction, cooperation, connectivity, investments, innovations, infrastructure, trade.*

In the context of the intensification of global processes, the issue of effective participation in them is of particular importance for any country. The question of effective positioning in global economic processes requires the leadership of the country to search for promising areas of cooperation in different formats: on a bilateral basis, participation in international associations and global projects. One of these projects that has gained worldwide recognition and acceptance is the China Global Initiative "One Belt, One Road."

The initiative dates from the visit of the President of the People's Republic of China Xi Jinping to Kazakhstan, where on September 7, 2013 he initiated the Silk Road Economic Belt. Later on October 3, 2013, during his visit to Indonesia, he put forward an initiative to jointly build the 21st Century Maritime Silk Road. These initiatives were essentially a rebirth of the Silk Road, which connected China with Europe in the Middle Ages.

In the economic belts of the Silk Road Economic Belt, three strategic directions of its orientation were identified: China - Central Asia - Russia - Europe (Baltic Sea); China - Central and Western Asia - Persian Gulf and Mediterranean Sea; China - South-

East and South Asia - Indian Ocean. The "One Belt, One Road" project should be based on international transit routes and major cities along the "One Belt, One Way" route, thus creating economic corridors, in particular: China - Mongolia - Russia; China - Central and East Asia; China - Pakistan; Bangladesh - China - India - Myanmar; Китай – Індокитайський півострів. Within the framework of the 21st Century Maritime Silk Road, two strategic directions were identified: from the coastal areas of China, through the South China Sea, to the Indian Ocean; from the coast of China, across the South China Sea, to the South Pacific.²³ The global project has to connect three continents: Europe, Asia and Africa. The "One Belt, One Road" initiative is the largest global project in the history of mankind, as it covers 60 countries and districts along its strategic corridors, with 4.4 billion people, accounting for 63% of the world's population. It should be noted that the Chinese initiative is open to any country in the world. This means that any country can turn to China's leadership with a proposal to participate in a global project and can count on support. The goal of the global project is to strengthen links and interactions between countries and regions, as well as contribute to creating a favorable climate for investment, an efficient exchange of goods, services, capital, technology and personnel. Unlike traditional forms of interaction, the initiative adopted a mechanism for cooperation, joint participation, planning, construction and use of the fruits of joint development. Most countries located along the strategic lines refer to developing countries. The level of average per capita income of these countries remains lower than the level of developed countries. Most of these countries alone can not establish a perfect infrastructure network. The participation of these countries in the initiative creates new opportunities for building new roads and building an infrastructure network. In addition to the development of infrastructure, the initiative is aimed at the development of sectoral cooperation, development of energy resources, the creation of industrial parks, port economic zones and port logistics networks.

¹ Zhang Gofeng. Priority of linking strategy. *China*. February 2017. N. 02 (136). P. 32.

For the successful implementation of the initiative, the leadership of China has identified five nomadic moments of cooperation within the "One Belt, One Road": the harmonization of political visions, the establishment of road transport links, unhindered trade, free capital flow and the common expectations of the people.

Harmonization of political plans implies strengthening intergovernmental cooperation and active work towards the creation of a multilevel intergovernmental exchange mechanism. The establishment of road transport links should ensure the planning of infrastructure construction, the combination of technical standards, the formation of an infrastructure network linking different parts of Asia, as well as those located between Asia, Africa and Europe. The unhindered trade is aimed at identifying and solving problems related to the simplification of conditions for investment and trade, the elimination of trade and investment barriers. The Chinese leadership is actively discussing the idea of establishing a free trade area with the participating countries of the project. The idea of free capital flow will be implemented through the expansion of spheres and scales of mutual settlements in national currencies. This should protect the participating countries from currency risks. An important factor in the successful implementation of the initiative is the intensification of cultural exchanges between countries. For this purpose it is planned to increase the number of young people studying abroad, close cooperation between educational institutions. The Chinese government is planning to provide 10,000 quotas to the participating countries along the "One Belt, One Way" to receive an annual government scholarship. Strengthening the cultural component of the initiative should increase awareness and mutual understanding among peoples, which is an important guarantee of the formation of trust relations.

In order to provide financial support for global projects, on December 25, 2015 it was established the Asia Bank for Infrastructure Investments (ABII), whose headquarters is located in Beijing. The authorized fund of ABII is \$100 billion. Fifty-four countries have become members of this bank, including both Asian and European countries. There are 40 countries among the participants of the bank, located along the

"One belt, One Road"²⁴. In 2016, ABII approved the first loans for the financing of four projects totaling \$ 509 million in energy and transport spheres, as well as urban development. The projects will be implemented in Bangladesh, Indonesia, Pakistan and Tajikistan. Another instrument of funding was the creation of the Silk Road Fund in 2014 with a registered capital of 61,5 billion yuan in Beijing. In 2015, the Silk Road Foundation, together with the «Three Gorges Corporation» and the Private Energy and Infrastructure Council, signed a Memorandum of Understanding and Co-operation on the joint development of a hydroelectric project in Pakistan. The construction of the Carot dam in Pakistan is the first project of the Silk Road Foundation.

The economic component of the "One Belt, One Road" initiative has become significant. By the end of 2016, the trade turnover of China with countries located along the "One Belt, One Road» exaggerated \$10 billion and amounted to 25.7% of the total volume of foreign trade of China. The volume of direct non-financial investment of China in 53 countries along the "One Belt, One Road" was \$14.53 billion. The volume of investments of the countries-participants of the initiative has increased in China. In 2016, 2905 new enterprises were opened by the participating countries. The total volume of investments from these countries to China was \$7.1 billion. UnionPay's Chinese payment system has entered 41 countries participating in the initiative. The large Chinese banks opened branches in almost half of the countries participating in the initiative. The most number of branches is opened in Singapore, Thailand and Indonesia. The China Banking Regulatory Commission and the 29 countries participating in the initiative signed memoranda or agreements on co-operation in regulating bilateral banking activities.

The cooperation in the field of education has significantly intensified. In 2016, 227,700 students from the "One Belt, One Road" participating countries studied in China. In turn, China has opened 130 classes of Confucius in different countries of the

² YuanYuan. The tale of a bank. *Beijing Review*. January 28, 2016. Vol. 59. No. 4, P. 12-15.

world. They are most actively represented in Kyrgyzstan and Thailand. In addition, 134 Confucius Institute has been opened abroad.

An increase in the tourist flows along the "One Belt, One Road" is being increased, which in 2016 amounted to 25 million people. Typically, tourists visited countries without visas or visas upon arrival.

Thus, the "One Belt, One Road" initiative becomes the platform for cooperation, which is oriented around the world.

There is also growing interest in the initiative "One Belt, One Road" in Ukraine. Ukraine and China have long historical ties. China was one of the first countries that recognized the independence of Ukraine and in January 1992 diplomatic relations were established between the two countries. In October 1992 a state visit of the first President of Ukraine L. Kravchuk to the PRC was held, which initiated a number of visits of the highest leaders of both countries and laid the foundations for a bilateral legal and contractual framework. The Chinese Embassy in Ukraine began its work in March 1992, and in 1993, the Ukrainian embassy in Beijing. In September 1994 the first official visit to Ukraine by the President of China, Jiang Zemin, was held. Since the establishment of diplomatic relations, the parties have rapidly intensified cooperation in the trade and economic sphere. Since 2013, relations between countries have become strategic partnerships. Throughout the period of cooperation between the parties the active trade and economic cooperation has been continued. After the accession of China in 2001 to the World Trade Organization, the trade between the two countries intensified and accordingly increased from \$1 billion \$10.6 billion in 2013. Until 2004, Ukraine had a positive balance of trade balance with China. Beginning in 2005, the trade surplus became negative, which increased from \$1.1 billion till \$6.1 billion in 2012. During the period of 2014-2015, due to the difficult economic situation in Ukraine, the volume of trade between Ukraine and China continued to decrease, respectively - \$8.1 billion and \$6.8 billion. Starting in 2016, the volume of bilateral trade began to grow again from \$ 6.5 billion to \$9.8 billion in 2018. At the same time, the negative balance of Ukraine's

trade balance increased again from \$2.9 billion to \$5.4 billion during the indicated period. The attention is drawn to the fact that from 2005 to 2018, Ukraine's export to China averaged \$1.7 billion per year. At the same time, the minimum volume of bilateral trade amounted to \$0.4 billion in 2004, while the maximum - \$2.7 billion in 2013. It should be noted that throughout this period of trade and economic cooperation between the two countries, Ukrainian exports to China were mainly represented by raw materials and mineral products. If in 2011, 76% of Ukrainian exports accounted for ore, slag and ash and only 4.3% for fats and oils, then, starting in 2014, the structure of Ukrainian exports will start to change significantly. There is a significant increase in the share of exports of grain, fats and oils, while the proportion of ore, slag and ash is declining. In 2018, the share of exports of ore, slag and ash amounted to 29.7%, the share of grain exports - 25.1%, and fats and oils of animal or vegetable origin - 19.4%.

At the same time, China imports mainly finished products to Ukraine. Thus, 29.1% of Chinese exports to Ukraine accounted for electric machines, 18.7% - for machine building products, 4.6% for chemical products, 3.5% for land transport vehicles other than railway, etc.²⁵ The analysis of China's bilateral trade with Ukraine shows signs of its primitiveness for Ukraine, because throughout the entire period of trade and economic relations between the two countries, the lion's share of Ukrainian exports to China is raw material and resource products. Conversely, volumes of imported Chinese products to Ukraine are steadily increasing. This state of trade between countries shows that over the past decades, China has been able to modernize its own industry and establish production of high-quality competitive products of world-class. China today is the largest producer and exporter in the world. Due to its diversification and high technology, the Chinese industry has demonstrated a high level of flexibility and adaptability in times of crisis and negative external challenges. The "One Belt, One Road" initiative reveals new opportunities for Chinese enterprises to enter the external markets. This is due to the fact that the Chinese government creates favorable conditions

³ State Statistics Service of Ukraine. URL: http://www.ukrstat.gov.ua/operativ/menu/menu_u/zed.htm

for this. The implementation plan of the "One Belt, One Road" initiative envisages the implementation of large-scale investments in infrastructure projects along the initiative. Given that the Chinese government is actively supporting the "green" development in the country, it can be assumed that the modernization of the Chinese industry will continue. Along with this, the innovative component of this growth will grow. This creates favorable conditions for the growth of the competitiveness of Chinese goods, which will increase their attractiveness for foreign importers, including in Ukraine.

In the prevailing conditions, a promising direction for Ukraine is participation in the global Chinese initiative "One Belt, One Road". Participation in this initiative provides an opportunity for Ukrainian enterprises to take part in the construction of international transport communications both inside and outside the country. Today, within the framework of the "One Belt, One Road" initiative, six high-speed highways were built. Two lines go to Central Asia, namely to Kazakhstan, on the following routes: Xi'an-Alma-Ata, Xi'an-Zhem. The four lines go to Europe on the following routes: Xi'an - Rotterdam, Xi'an - Warsaw, Xi'an - Hamburg, Xi'an - Moscow. According to the State Statistical Bureau of China, in 2016 1702 trains were shipped from China to Europe and 572 to Central Asia²⁶. The Ukraine's potential as a transport corridor from Asia to Europe is recognized in the world. However, Ukraine does not use this potential effectively. The reasons for this are the obsolete existing highways, ports, transport service system and logistics, which makes it impossible to meet the needs of freight traffic. Ukraine loses significantly in this area to neighboring countries that are actively involved in the "One Belt, One Road" initiative and take advantage of the opportunities this initiative provides.

Another direction of Ukraine's participation in the "One Belt, One Road" initiative is participation in energy projects. Implementation of the initiative requires significant energy costs, therefore, demand for energy will grow accordingly, which will also require the construction of new energy facilities. China today is a global leader in the

⁴ Li Yuan. A Europe-Asia Link. China today. March, 2017. Vol. 66. No. 3. P. 28.

implementation of alternative energy sources and the use of green technologies. Ukraine's participation in the "One Belt, One Road" initiative provides Ukraine with the opportunity to participate in energy projects that are being implemented as part of this initiative. Accordingly, it provides the opportunity to receive modern energy technologies and experience of Chinese experts in the field of modern energy. It should be noted that the government of the country is aware of the importance of Ukraine's participation in the global initiative, as evidenced by an agreement between the government of Ukraine and the Chinese government.

Within the framework of the Third meeting of the Commission on cooperation between the two governments, which took place on December 5, 2017, in Kiev, the President of Ukraine P.O. Poroshenko and Prime Minister of Ukraine V.B.Groysman conducted the separate meetings with the head of the Chinese delegation, Deputy Head of Government Ma Kai. The meetings allowed the parties to exchange views on the most urgent issues of bilateral relations, stating the achievements and problems in their relations. According to the results of the commission meeting, the parties signed a road map (action plan) on the implementation of the "Silk Road Economic Belt" and "21st Century Maritime Silk Road" initiatives. "Silk Road Economic Belt" and "21st Century Maritime Silk Road" are designed to create transit routes and strengthen economic cooperation between Europe and Asia²⁷. Having signed an action plan to implement these initiatives, Ukraine has been given the opportunity to participate in the implementation of the global infrastructure projects that China is implementing today within the framework of these initiatives.

⁵ Ukraine – China – 25 Years of Cooperation: Results and Prospects. *"One belt, one road"*. Kyiv: SI "Institute of World History of the National Academy of Sciences of Ukraine", 2018. P. 378.