

Economic expansion of China in Ukraine. Can the New Silk Road project support Ukrainian statehood?

Introduction

In the twenty-first century, China is becoming more and more important in international relations. China's economic expansion is progressing in various parts of the world, including Europe, taking the form of a series of investments through which the Chinese party pursues not only economic, but also political goals. Many investments are related to the New Silk Road project. It is a way to enable economic expansion of the Middle Kingdom, and at the same time a peculiar alternative to the sea route (the so-called String of Pearls). China's activity in this area may also bring significant benefits to Ukraine which has been plunged into crisis, strengthening the country that has been weakening for years.

The aim of this article is to present the current shape of Ukrainian-Chinese economic relations, in particular initiatives related to the New Silk Road project. There will be shown the basic areas of cooperation, the results of individual initiatives, as well as the difficulties facing some areas of bilateral cooperation. At the same time, we should answer the question about the importance of China's economic expansion for Ukrainian statehood and the perspectives of cooperation between these two countries.

Closer relations between Ukraine and China should be seen in the context of the inability to obtain sufficient support from the EU or the US. There is cooperation between Ukraine and China primarily in the economic dimension. It is a fact that China supports the economy of Ukraine in a difficult period for this country. The Chinese policy is dominated by the pragmatic approach, which emphasizes cooperation with those countries with which cooperation can enable them to implement sometimes far-reaching goals. On the economic level, both countries share a comprehensive interdependence, as is the case with other countries along the New Silk Road route.

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The New Silk Road as a tool of expansion

In mid-2013, the Secretary General of the Communist Party of China, Xi Jinping, announced the concept of the Silk Road Economic Belt (in mid-2014, another slogan was coined – “One Belt, One Way” which is used interchangeably with the name Silk Road¹). It seemed then that it was a policy mainly referring to the area where the western neighbours of China are located, but this area can also be extended to further areas, in particular to Europe. The following year, China presented a plan of action, first ventures were announced and new institutions were established. The Silk Road project is intended to increase the position of China as the creators of standards that make a significant contribution to the global economy. Other benefits include internationalization of yuan and Chinese enterprises, increasing the technological level and production capacity².

The idea of the New Silk Road can be described as a comprehensive concept of China's foreign and internal policy, aimed at protecting the political and economic interests of that country. The project refers to the historical origins and means the construction of infrastructural connections in the territories of countries through which this route is to pass. Strategically located Ukraine is aware of the benefits resulting from cooperation with the Far East power, cooperating with the Middle Kingdom in many areas³. Interestingly, China has not proposed a list of participants or a map showing the exact course of the Silk Road⁴, which makes it possible for interested countries to join the investment. Outside China, the route runs through three continents: Asia and Europe to Africa. The Chinese offer for countries interested in this initiative along with peaceful rhetoric may turn out to be a more attractive offer of cooperation than those offered by the USA or Europe. The New Silk Road project assumes cooperation based on mutual benefits. China wants to contribute to the economy and world politics, and thus strengthen its superpower status⁵.

¹ This name refers to the trade route existing since antiquity, which connected China with Western Europe. Among the transported goods, however, there was not only silk, but also many other goods; see: F. Wood, *The Silk Road: Two Thousand Years in the Heart of Asia*, London 2002, p. 9. It can be said that over the millennia two main world centers of economic activity and scientific and cultural development in the world lasted: Europe and China. Although their significance has changed over the centuries, both were development poles before North America took on its significance; see: Ю. Месік, Українотановий Шовковий шлях: чивізьме Київучасть “проектісторіччя”?, “Європейська правда” June 2, 2015, <http://www.eurointegration.com.ua/articles/2015/06/2/7034385>, [access on: 22.01.2018].

² M. Kozak, *Ukraina dołączyła do Jedwabnego Szlaku*, “Obserwator Finansowy.pl” 5.02.2016, <https://www.obserwatorfinansowy.pl/tematyka/makroekonomia/ukraina-dolaczyla-do-jedwabnego-szlaku>, [access on: 3.07.2017].

³ M. Kozak, *Ukraina dołączyła...*

⁴ This is another analogy with the historical Silk Road, which in fact many roads created; see: H. Uhlig, *Jedwabny Szlak. Kultury antyku między Chinami a Rzymem*, Katowice 2007, p. 51.

⁵ As Justyna Szczudlik-Tatar pointed out, China's economic goals are to provide markets for Chinese products and to obtain raw materials and high technologies, as well as stimulate investments by eliminating infrastructure barriers, creating free trade areas, concluding double taxation agreements and extending the scope of economic cooperation for such areas as agriculture, maritime economy, energy, and green technologies. Another goal is financial cooperation, based on stable currencies, gradually internationalized, as well

The New Silk Road project itself involves over 80 countries and many international organizations⁶. In view of the potential restrictions on the expansion by sea expansion (due to the US position), China focuses on the use of land routes. This initiative also assumes cooperation with Poland (already since 2013 there have been two direct rail freight links with China: Chengdu-Łódź and Suzhou-Warszawa) or Belarus (in the last state a Chinese-Belarusian industrial park could be established, which is the most important point of the Road connecting Asia and Eastern Europe), Russia or Kazakhstan. The first country in Central and Eastern Europe to sign a cooperation agreement with China under the Trail is Hungary.

An important goal of Chinese foreign policy is, *inter alia*, developing access to new economic markets, establishing new trade contacts, and providing resources necessary for economic development. In order to ensure stable growth of the domestic economy in China, it is important to establish links with the international environment ensuring constant access to the necessary goods⁷. Considering the ever-growing importance of China in the modern world, the investments of this country outside its borders should be considered to be much greater than purely economic significance. With regard to the countries of Central and Eastern Europe, Chinese investments still play a rather small role, especially when compared to foreign direct investments of South Korea and Japan. However, the expansion of Chinese capital is visible, having its important strategic and political dimension, as exemplified by the Czech Republic in particular⁸. The policy of "opening out" is the foundation of the policy of the Middle Kingdom; deeper international cooperation contributes to the rapid development of the Chinese economy⁹.

Ukrainian-Chinese relations

According to Oleg Soskin, Ukraine is located between two great civilizational areas: Euro-Atlantic and Eurasian¹⁰. The geographical location of Ukraine is its asset, a factor fa-

as on new institutions, such as the Asian Infrastructure Investment Bank, the Silk Road Fund or the BRICS New Development Bank; see: J. Szczudlik-Tatar, *Jedwabny Szlak...* Thanks to the support of these institutions, it is possible to implement the New Silk Road.

⁶ See: K. Mazur-Kajta, G. Useynulyyeva, *Opportunities and challenges of the new silk road initiative*, [in:] *Kulturowe, społeczne, prawne i etyczne aspekty zarządzania gospodarką i biznesem*, edit. L. Karczewski, H.A. Kretek, Racibórz 2017, p. 269.

⁷ K. Kozłowski, *Państwo Środka a Nowy Jedwabny Szlak. Poradziecka Azja Centralna i Xinjiang w polityce CHRL*, Toruń 2011, p. 43.

⁸ D. Rohac, *China's economic input in eastern Europe will bear political fruit*, "Financial Times" November 1, 2017, <https://www.ft.com/content/d7e4b66a-bf0b-11e7-b8a3-38a6e068f464>, [access on: 5.07.2018].

⁹ M. Huashou, L. Jian, *30-lecie wprowadzania reform gospodarczych i "otwarcia na zewnątrz" Chińskiej Republiki Ludowej*, [in:] *Chiny supermocarstwem XXI wieku? Rozważania na temat polityki i gospodarki Państwa Środka*, edit. J. Marszałek-Kawa, Toruń 2010, p. 202.

¹⁰ O. Soskin, *Ukraina w nowej Europie*, [in:] *Stanowisko Unii Europejskiej wobec Polski i jej sąsiadów w przededniu poszerzenia*, edit. M. Czajkowski, E. Cziomer, Kraków 2003, p. 201.

vouring the establishment of international economic and trade contacts¹¹. In the twenty-first century, however, the influence of China, in many areas competitive with the Russian Federation, is increasingly visible. The Russian government's policy towards Ukraine was seriously influenced by the rise of the Middle Kingdom in the policy of the authorities in Kiev, leading the latter to tighten ties with the Far East. According to Svetlana Malysz from the Kiev consulting company UkrAgroKonsult, the geopolitical transformations taking place in the Black Sea region led to changes on the existing routes of supply of goods. Ukraine, due to the annexation of Crimea and the loss of some ports, reoriented the grain export system mainly towards the ports of Great Odessa. The prolonged commercial confrontation with Russia and various commercial and transport restrictions on the supply of goods have affected many countries – not only the Black Sea region, but also the CIS. The search for new ways to deliver Ukrainian goods, bypassing Russia, led to the creation of a New Silk Road project between Ukraine and China¹².

Ukrainian-Chinese diplomatic relations were established in 1992, but their intensification has been taking place since 2008. China and Ukraine combine intense economic relations¹³; their turnover can be considered significant. According to the information of the General Administration of Customs of China, in January-September 2016, trade between Ukraine and China amounted to 5188.2 million USD; Chinese exports to Ukraine amounted to 3126.3 million USD, while Chinese imports from Ukraine amounted to 2061.9 million USD. In the period January-September 2016, the main exports to China were: ores, slag and ash, grains, fats and oils of animal or vegetable origin, timber and timber products, as well as nuclear reactors, boilers, machinery. Imports from China were: machines, plastics, polymeric materials, ferrous metals and organic chemicals. Although bilateral cooperation is quite intense, the scope of investment does not match either the potential of China, or the needs of Ukraine¹⁴.

¹¹ T. Kapuśniak, *Ukraina jako obszar wpływów międzynarodowych po zimnej wojnie*, Warszawa-Lublin 2008, p. 43.

¹² M. Kozak, *Ukraina dołączyła...* These countries are very different, also in terms of the internal system, which has a significant impact on the economic potential, see: H. Zon, *The Political Economy of Independent Ukraine*, New York 2000, p. 182. It is worth noting that the draft of the New Silk Road extends to the countries of Central Asia, Belarus and Ukraine, but in the case of the Russian Federation it is largely limited to the periphery, ignoring the infrastructure from the USSR era. See: Т. Едшед, *Китайбудує новий «Шовковий шлях», оминаючи Росію – ЗМІ, «Голос Америки»* July 17, 2017, <https://ukrainian.voanews.com/a/odyn-pojas-odyn-shljakh--kytaj-rosija/3947607.html> [access on: 25.01.2018].

¹³ During the meeting held at the World Economic Forum in Davos, the Chinese leader Xi in an interview with Ukrainian President Petro Poroshenko said that both countries have a long tradition of friendship. China points to great interest in the development of bilateral ties, wanting to deepen cooperation, said Xi. Poroshenko told Xi that Ukraine welcomed Chinese investments and great potential for cooperation in areas such as logistics, ports, steel and agriculture; see: B. Blanchard, S. Cameron-Moore, *China's Xi says he willing to help Ukraine crisis*, "Reuters" January 17, 2017, <http://www.reuters.com/article/us-ukraine-crisis-china-idUSKBN1520AN> [access on: 5.07.2017].

¹⁴ *Trade and economic relations between Ukraine and China*, Ministry of Foreign Affairs of Ukraine, <http://china.mfa.gov.ua/en/ukraine-cn/trade> [access on: 18.12.2017].

Noteworthy is the position of Russia, which for its part blocks the transit of goods from Ukraine to the Central Asian republics, above all to Kazakhstan. According to Vladislav Inozemtsev, director of the Moscow-based Centre for Research on Post-Industrial Societies, Russia put Kazakhstan in a difficult situation, as 40% of foreign trade is in the European Union, while Russia acts as a transit monopoly that can cut export-import traffic. According to Inozemtsev, Russia against its will has strengthened the position of those who support the development of the Chinese Silk Road project without Russia (the Kremlin authorities hoped that the New Silk Road would run through the Russian territory from the border with Kazakhstan through Orenburg, Ulyanovsk, Moscow, Smolensk and then through Belarus to the border with Poland in Terespol)¹⁵.

Ukraine is strategically located along the land route from China to the EU, which makes its territory an attractive place for the main transport hub. Therefore, in December 2013, during the visit of former Ukrainian President Viktor Yanukovich in China, a number of agreements were signed, including a memorandum regarding the construction of a new deep-sea terminal in the Crimea and the reconstruction of sea fishing in Sevastopol. Crimea was to become an important and large transit hub, mainly thanks to Chinese investments of 13 billion USD. Even after the capture of Crimea by Russia, centres such as Odessa and Mykolaiv, which have access to the Black Sea, are of great importance for the plans of the Middle Kingdom¹⁶. Russia, by annexing the Crimea, interfered in the internal affairs of Ukraine and violated its territorial integrity, which violated the dogmas of Chinese foreign policy. In March 2014, a representative of the Chinese Foreign Ministry stated that China respects the independence, sovereignty and territorial integrity of Ukraine. At the same time, however, both the authorities and Chinese society expressed some understanding of Russian actions against the Crimea¹⁷.

In order to fully discount the strategic location of Ukraine, it is necessary to develop its infrastructure. Investments can significantly strengthen the state economy. Financing infrastructural projects in Ukraine is a serious problem for the authorities of this country. Due to the fact that neither the European Union, nor the United States are able to cope with these difficulties, the authorities in Kiev are turning to China for help. Chinese decision-makers, for their part, show interest in Ukraine as an indispensable link in the New Silk Road. It is worth noting that among the aforementioned series of agreements with China concluded by President Viktor Yanukovich, there was a pact envisaging Chinese investments aimed at transforming the Crimean peninsula into a large transit centre. However, the Russian military intervention caused that the implementation of the project was moved to the territory of southern Ukraine¹⁸.

¹⁵ M. Kozak, *Ukraina dołączyła...*

¹⁶ O. Mykal, *Why China Is Interested in Ukraine*, "The Diplomat" March 10, 2016, <http://thediplomat.com/2016/03/why-china-is-interested-in-ukraine> [access on: 5.07.2017].

¹⁷ M. Lubina, *Niedźwiedź w cieniu smoka. Rosja-Chiny 1991-2014*, Kraków 2014, p. 365-366.

¹⁸ A. Mijatovic, *Czy Chiny są sprzymierzeńcem Ukrainy?*, "Newropeans Magazine" March 29, 2017, <http://www.newropeans-magazine.org/pl/2017/03/29/czy-chiny-sa-sprzymierzencem-ukrainy>, [access on: 8.06.2017].

Areas of cooperation

Two elements are crucial for China: the geographical proximity of the EU and the investment potential. Chinese investments in the Ukrainian economy focused on industry, agriculture, transport, as well as retail and wholesale. Cooperation between Ukraine and China is based on the Declaration on Strategic Partnership between these countries signed in 2011. Chinese enterprises in Ukraine have united and established the Chinese Trade Association, which is a platform and a bridge for the business environments of both countries. The Middle Kingdom also appreciates the transit potential of Ukraine. In particular, it is of strategic importance for the future of rail connections between Europe and China. In 2016, China provided official support for a freight train from Ukraine to Kazakhstan and China, which would bypass Russia¹⁹.

The launch of a new communication route connecting China with Ukraine was the first step on the way to moving Russia away from the transit of goods transported between Europe and the Far East. Thanks to this rail-sea route, running through the territories of Ukraine, Georgia, Azerbaijan and Kazakhstan, Ukrainian and European goods go to Asian countries even in the situation of restrictions on the part of Russia. The route runs from the Ukrainian port in Black Sea near Odessa, then by ferry to Georgian Batumi, then through Georgia and Azerbaijan to the port of Aljat, ferry through the Caspian Sea to the port of Aktau in Kazakhstan and then again by rail to the station Dostyk on the Sino-Kazakh border²⁰. China and Ukraine set up a commission on the functioning of the New Silk Road to agree on a package of transport infrastructure projects to increase Ukraine's transit capacity²¹. The proper logistics and the reduction of costs and time needed for transit are essential for the implementation of the project. Ukraine, Georgia, Azerbaijan and Kazakhstan must also agree on preferential customs rates²².

Cooperation between Ukraine and China also takes place in the field of agricultural products. Another aspect is the lease of large areas of Ukrainian agricultural land. In 2012, Ukraine and China signed a contract worth 28 billion USD, under which agri-

¹⁹ O. Mykal, *op. cit.*

²⁰ M. Kozak, *Ukraina dołączyła...* Covering such a route should not take more than 14 days. The resulting route was capable of transporting up to 20,000 tons of goods in one direction, while the ferry possibilities of the new route in the Black Sea amounted to 5 million tons per year (2.5 million tons in one direction). Importantly, Kazakhstan has increased the capacity of the Caspian port of Aktau to 13 million tons per year, and by 2020 it is to reach 23 million tons per year (of which 10-12 million tons may be attributed to loads transported under the New Silk Road), and the port in Azeri Aljat will ultimately have a transshipment capacity of 25 million tons per year; *Ibidem*.

²¹ O. Mykal, *op. cit.* The goods can be transported from Vienna via Bratislava to the Ukrainian border thanks to the completion of the Beskid Tunnel construction (it is a strategic infrastructure facility, being part of the fifth pan-European transport corridor that runs through the territory of Italy, Slovenia, Hungary, Slovakia and Ukraine). This tunnel is seen as the main link linking Asia with Western Europe, and there is also a huge untapped potential to expand the New Silk Road northward. The short travel time is very attractive for businesses; it is important to use a transparent, optimized and harmonized tariff for all countries involved and to attract a wide range of interested suppliers in Europe and Asia; *ibidem*.

²² A. Mijatovic, *op. cit.*

cultural products are transferred to China, in exchange for Chinese fertilizers and agricultural equipment. In 2015, China became the largest importer of Ukrainian agricultural products, in the same year that country granted access to the market for eighteen Ukrainian milk producers²³. In China, the demand for agricultural products is constantly growing, and Ukrainian goods are characterized by high quality. The association of Ukraine with the EU opened the Ukrainian market for goods from the Union, placing their producers in a position privileged for Chinese suppliers. Thanks to Ukraine, the duty-free delivery of Chinese production to the European Union market is feasible. China expressed a desire to create a free trade zone with Ukraine, but its authorities showed no interest. In November 2016, the ambassador of China submitted to the Ukrainian government a proposal “to analyze the possibilities” of creating a free trade zone embracing both countries. Deputy Minister of Economic Development and Trade of Ukraine, Natalia Mikolska, however, stated that Ukraine is not considering the creation of a free trade zone with China²⁴.

During the visit in Kiev, the Chinese delegation proposed to the Ukrainian authorities a joint free trade zone. The Chinese would like to invest in Ukraine, among others in agriculture, science and technology, infrastructure, logistics, finance, electronics industry, nuclear, and ecological energy. China would also like to create a system of enterprises in Ukraine that could produce goods destined for EU markets. Therefore, Ukraine would become a kind of “back door” for China, through which they will be able to introduce their products²⁵ to the EU markets. Economic cooperation between Ukraine and China includes undertakings in the sphere of agriculture, industry, energy²⁶, or construction of bridges and roads (interest of Chinese companies in the implementation of the Kiev bypass). An economic alliance with China may prove to be an alternative to

²³ O. Mykal, *op. cit.* Chinese Noble Agri, wholly owned by COFCO (China National Cereals, Oil and Foodstuffs Corporation), has assets in Ukraine (sunflower seed processing complex or grain port terminal). It is worth noting that Ukraine is the only European country in which Noble Agri is present, competing with such American entities as Cargill, Monsanto and Bunge. Noble Agri supplies wholesalers from low cost regions and supplies them mainly to markets in Asia and the Middle East (in particular, it is a leading supplier of maize and soy meal in Saudi Arabia); *ibidem*.

²⁴ M. Kozak, *Chiny wyrwą Ukrainę Rosji? Pekin ma wielki plan*, “Fronda.pl” May 16, 2017, <http://www.fronda.pl/a/chiny-wyrwa-ukraine-rosji-pekina-wielki-plan,92983.html> [access on: 8.12.2017].

²⁵ In January 2016, the Deep and Comprehensive Free Trade Area Agreement (DCFTA) came into effect, largely eliminating EU tariffs on Ukrainian goods. It is part of the Ukraine Association Agreement with the EU, and its most important element is the provisions on abolition of import duties by both parties and export. This concept includes customs duties, countervailing taxes and additional charges levied on imports or exports, but with the exception of internal taxes, anti-dumping and countervailing duties, as well as handling fees, see: B. Płonka, *Umowa UE – Ukraina o utworzeniu pogłębionej i kompleksowej strefy wolnego handlu (DCFTA) jako przykład nowej generacji porozumień preferencyjnych*, “Zeszyt Naukowy Wyższej Szkoły Zarządzania i Bankowości w Krakowie” 2015, No. 38, pp. 50-51.

²⁶ In particular, Ukraine wants to develop the construction of a solar farm near the destroyed Chernobyl nuclear power plant, which can help Chinese capital – two Chinese companies GCL and China State Construction Engineering Corporation; see: *Ukraine seeks Chinese investments in solar farm in Chernobyl area: minister*, “Chinadaily.com.cn” October 27, 2016, http://www.chinadaily.com.cn/business/2016-10/27/content_27190925.htm [access on: 5.07.2017].

the European Union for Ukraine²⁷, although despite the liquidation of customs barriers, Ukrainian products will have serious problems with the conquest of the Chinese market.

China has expressed interest in the joint implementation of an investment project based on uranium ore mines on the Novokonstantynowski deposit. The Middle Kingdom would participate in the construction of nuclear fuel installations on the territory of Ukraine. In May 2017, the Ukrainian delegation residing in China met representatives of the high technology company Huawei with whom it exchanged experiences in the field of ensuring the security of energy installations and other areas where cooperation could contribute to the effective development of IT infrastructure in the energy sector in Ukraine. Importantly, before the annexation of Crimea by Russia, Ukraine planned to build a nuclear fuel production plant in the Kirovohrad region based on the technology of the Russian company TVEL. In addition, in mid-2016, the authorities in Kiev informed that Chinese entities could take part in the reform of Ukrainian mining²⁸. Completed investments could significantly support the Ukrainian economy in a particularly important energy sector that needs significant investment.

Prospects and obstacles to cooperation

In the Ukrainian-Russian relations there is no lack of obstacles standing in the way of implemented projects. China has invested about 7 billion USD in Ukraine, placing it in government bonds. Full activation of this sum could revive agriculture, energy, infrastructure, and other areas of the economy, which in turn would create jobs, generate taxes and stimulate development. The amount of 3 billion USD, which in 2012 the Chinese government gave Ukraine for the purchase of grain from the Transnistrian steppes and the purchase of agricultural equipment by Ukraine from Chinese producers, was however embezzled²⁹. In the context of very serious problems faced by Ukraine, as well as numerous pathologies that digest the economic and social potential of this country, there is a risk of further wasting of support received by them from outside.

As a result of the third meeting of the intergovernmental cooperation committee, Ukraine and China signed among others a “road map” for the implementation of the “Economic Belt of the Great Silk Road” and the “Maritime Silk Road of the 21st Century” initiative. The said sum of 7 billion USD was allocated for cooperation with Ukraine as part of projects in the sphere of trade, infrastructure, industry, and the digital econo-

²⁷ A. Kołodziej, *Chiny chcą wykorzystać Ukrainę, żeby podbić Europę*, “Money.pl” November 11, 2016, <http://www.money.pl/gospodarka/wiadomosci/arttykul/strefa-wolnego-handlu-ukraina-chiny,97,0,2188385.html> [access on: 27.06.2017].

²⁸ P. Stepiński, *Chiny interesują się sektorem jądrowym Ukrainy. Szansa dla Polski?*, “Biznesalert.pl” May 16, 2017, <http://biznesalert.pl/chiny-interesuja-sie-sektorem-jadrowym-ukrainy-szansa-dla-polski> [access on: 8.06.2017].

²⁹ M. Kozak, *Chiny wyrwą...*

my³⁰. The elimination of barriers existing in the economy could be of great importance. The creation of a free trade area would benefit primarily the Chinese economy. It is important for China that Ukraine has signed an agreement on a free trade zone with the EU. Thanks to this, by launching its production in Ukraine, China could sell goods on an absorbent and solvent European market. An opportunity for Ukraine would be the deployment in its territory of plants producing goods intended for the EU market³¹. The existing regulations are favoured by the existing legal regulations, in particular the DCFTA agreement, which favours the intensification of cooperation between Ukraine and China.

Due to the impoverishment of Ukrainian society and the resulting low demand, this country is not perceived by China as a recipient of Chinese goods. In particular, its transit location in the neighbourhood of the European Union and the free trade agreement signed with it have an impact on the attractiveness of Ukraine. The EU is directly interested in the modernization of Ukraine with the use of funds from China. Chairman of the Chinese Chamber of Commerce, Ruslan Osypenko, claims that China appreciates the reforms carried out in Ukraine, and Chinese entrepreneurs are increasingly interested in this country. Cooperation in the field of agriculture also deserves attention; already in 2015, Ukraine overtook the hitherto existing US in the supply of cereals to China³². Ukrainian-Chinese cooperation should be seen in the context of the existing international environment. The Ukrainian railway could develop a railway route north through the territory of Belarus to the port of Klaipeda in Lithuania. Possible branches to Poland and Slovakia would have only local character in this concept. The desire for greater cooperation with China was declared by President Andrzej Duda at the end of 2015³³.

Another important sphere of Ukrainian-Chinese relations is cooperation in the armaments industry. Ukraine has an armament industry with very large potential inherit-

³⁰ *Chińczycy ruszają na Ukrainę*, "Sputniknews.com" December 6, 2017, <https://pl.sputniknews.com/swiat/201712066861271-sputnik-chiny-ukraina>, [access on: 25.01.2018]. Noteworthy is the signing of a joint protocol on key achievements and further plans for the development of transport, infrastructure, science, and other areas. Representatives of China and Ukraine also signed a number of industry bilateral agreements in the field of energy and energy efficiency, trade and agro-industrial complex. The promising areas of economic cooperation in the field of infrastructure include projects on the development of Ukraine's port infrastructure, road infrastructure, railway electrification and airport development. A memorandum on energy efficiency, renewable energy and alternative fuels was also signed, aimed at creating a legal basis for cooperation in these areas, including support for investors and business entities; *ibidem*.

³¹ *Ibidem*.

³² A. Mijatovic, *op. cit.*

³³ M. Kozak, *Ukraina dołączyła...* Investments are of serious importance for Ukraine itself. In particular, it should be mentioned that the China Harbor Engineering Company (CHEC) won a contract for the deepening and modernization of the Ukrainian port of Yuzhne. On the other hand, the Chinese Export and Import Bank was submitted to finance the project of the bridge in Kremenchuk. In 2018, Ukraine expects to spend almost 2 billion USD on road construction, with plans to include construction of the first motorway in the country connecting Odessa with Kherson; see: N. Trickett, *China Quietly Looms Over Zapad 2017 Exercises*, "The Diplomat" August 28, 2017, <https://thediplomat.com/2017/08/china-quietly-looms-over-zapad-2017-exercises> [access on: 4.09.2017].

ed from the USSR, however, most enterprises are struggling with shortages of cash and new technologies. After 2014, Ukraine increased the export of military equipment to China to 13% of Chinese military imports, and by disposing of technical and industrial facilities, it is also interested in cooperating with China in the space sector (the Middle Kingdom becomes one of the major investors in exploring the area around the globe). China also wants to invest in telecommunications, as well as traditional and alternative energy, an example of which is the fact that Naftogaz Ukraine received a loan of 3.6 billion USD from the National Development Bank of China³⁴.

Although China's presence in Ukraine is mainly of an economic nature, it may have political consequences in the future³⁵. It should be agreed with Bogdan Panek that China has become the main winner of the crisis in Ukraine, because in the shadow of the conflict the PRC consistently pursues its own geostrategic interests³⁶. The improvement of infrastructure is particularly important for Ukraine. Issues regarding the financing of infrastructure projects are discussed in the framework of the Commission of Ukraine and China. At the same time, however, opaque customs practices and procedures in Ukraine discourage transit through that country. From this, among others China could possibly send goods to the EU through Romania and Bulgaria, bearing in mind the benefit that shipments would take place directly to the EU³⁷.

Conclusions

Undoubtedly, Ukraine is not treated by China as a key partner in the region. On the other hand, if only for geographical reasons, Ukraine is primarily oriented towards the West, however, noticing in China a significant investor that could support the weakening Ukrainian economy. In a situation where Ukraine is struggling with mounting problems in many key areas that directly threaten its statehood, the Chinese capital coming under the New Silk Road project is of great importance for the emergence of this country from the crisis. China turns out to be needed by Ukraine in a period when its relations with Russia have weakened, and the European Union, plunged in crisis, cannot provide it with sufficient support.

Regarding the issue of the importance of China's economic expansion for Ukraine, it should be stated that in the foreseeable future its further development will take place.

³⁴ A. Mijatovic, *op. cit.*

³⁵ M. Kaczmarek, *Niedźwiedź patrzy na smoka. Rosyjska debata na temat Chin*, Warszawa 2013, p. 10.

³⁶ B. Panek, *Polityka Federacji Rosyjskiej w regionie Europy, Azji i Pacyfiku*, Warszawa 2015, p. 113.

³⁷ L. Litra, *Ukraine: Perspectives on Eurasian integration*, "European Council on Foreign Relations" June 8, 2016, http://www.ecfr.eu/article/essay_ukraine_perspectives_on_eurasian_integration [access on: 10.08.2017].

As indicated, cooperation includes not only the creation of road infrastructure to implement the New Silk Road. Wrestling with many internal problems, Ukraine is waiting for investments from China, which help it in economic reconstruction. The Middle Kingdom “replaces” other entities, such as the US or the EU, which are not able to support Ukraine in a more meaningful way. The tightening of Ukrainian-Chinese cooperation results, however, in a number of significant changes, enabling the creation of new jobs in Ukraine and support during the crisis, although it is difficult to find this help sufficient.

As indicated, the cooperation perspectives of these two countries are based on the existing multidimensional cooperation. However, the progressing cooperation encounters numerous barriers resulting from the economic weakness and social capital of Ukraine. The social factor plays a very important role in this respect, hampering the development of states from regaining their independence. Despite having a number of advantages, which include particular strategic location and cheap labour, cooperation between Ukraine and China is not dynamic enough. An opportunity for perspective cooperation is the need to create a variety of infrastructure in the area between China and Ukraine.

It is important for Ukraine to create jobs in Ukraine, which will prevent progressing emigration and allow to retain many valuable employees in the country. They should participate in the economic reconstruction of the state, which faces numerous problems threatening the future existence of the state. Greater stability of employment, provided by the inflow of foreign capital, will allow us to look more optimistically in the future and, consequently, to improve very unsatisfactory demographic indicators. It can be concluded that economic relations with major countries, resulting in increased investment, may affect the maintenance of statehood, or even the national identity of Ukraine. Support from China is an opportunity for a better future for Ukraine, sometimes referred to as a “fallen state”.

China looks at Ukraine rather only in economic terms, political ones are less important. Bearing in mind the serious benefits that cooperation with China generates, Ukraine should create its partner optimal conditions for investing. It can be assumed that with the strengthening of economic cooperation, China will support Ukraine also in the political sphere. The authorities in Beijing are aware of the strategic position of Ukraine, considering this country as an important link with Central and Western Europe. This makes the bilateral cooperation very promising, and the increase of Chinese influence in Ukraine should be seen as a natural consequence of the ongoing cooperation. Support for Ukrainian statehood is now a major challenge for the authorities in Kiev. Economic aid coming from China can significantly support the Ukrainian economy, translating into improvement of the general situation of the state, which faces extremely serious problems, both external and internal.

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Abstract: The purpose of this paper is to present the current condition of Ukrainian-Chinese economic relations, in particular initiatives related to the New Silk Road project. The author describes the main areas of cooperation between China and Ukraine, the results of individual initiatives, as well as the difficulties faced by some areas of bilateral cooperation. China turns out to be essential for Ukraine in a period when its relations with Russia have deteriorated and the European Union cannot provide Ukraine with sufficient support. The authorities in Beijing are aware of the strategic position of Ukraine, considering this country as an important link with Central and Western Europe. This makes the bilateral cooperation very promising, and the increase of Chinese influence in Ukraine is an almost natural consequence of the good collaboration. An increasingly closer Ukrainian-Chinese cooperation results in a number of significant changes in Ukraine and its stronger statehood. According to the author, in the foreseeable future there will be further development of China's economic expansion in Ukraine. The prospects for cooperation between these two countries are based on the current, multidimensional collaboration, which, however, encounters numerous barriers resulting from the economic weakness and the social capital of Ukraine.

Keywords: Ukraine, China, economy, New Silk Road, statehood

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