

# Ukraine-China after 2014: a new chapter in the relationship

## Opportunities and prospects, obstacles and risks

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- China has an increasing interest in the countries of Central and Eastern Europe and in Ukraine: it is indicated by the presence of the big Chinese companies like COFCO, CNNC, CCEC, China Harbor Engineering Company in Ukraine, proposals to sign a free trade agreement and to launch a mutual visa-free regime.
- Since 2016 the economic relations started intensifying and in the recent years and China was rated as TOP-5 trade partner of Ukraine. A significant milestone in the bilateral Ukraine-China relations was a successful long-awaited meeting of the bilateral Inter-Governmental Commission in December 2017.
- Ukraine's participation in "One Road One Belt" Initiative remains rather declarative though; there is no approved list of projects where Ukraine is named as the participant of the Initiative.



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## Introduction

In recent years, we have been witnessing significant changes in the foreign policy strategy of PRC, the interests of which are reaching far beyond the Asia-Pacific region. For instance, the One Belt, One Road global initiative encompasses more than 70 countries. Beijing is showing interest in Central Asia and Western Europe, the Balkan and Baltic states, it is intensifying its presence in Africa, South-Eastern Asia and Latin America, the country is set on exploring and managing the Arctic<sup>1,2</sup>.

Europe is the priority interest for PRC. Sum total of Chinese investment into the countries of Europe over the past 10 years made up 272 billion euro<sup>3</sup> and cooperation encompasses a variety of areas – from infrastructure projects to trade, joint efforts in fight against terrorism and Islamic extremism as well as energy (including renewable energy sources), military industry and space, construction and chemical industry, food technology etc.

PRC has increasing interest in the countries of Central and Eastern Europe, which may be explained by the desire to strengthen the infrastructure potential of One Belt, One Road initiative as well as Eastern Partnership countries (for instance, Georgia is gradually turning into transitory hub for the Chinese products to Europe and back). Causing interest is also the 16+1 format, which unites China with 16 countries of the Central-Eastern Europe, Baltic and Balkan states.

Beijing is also paying its attention to Ukraine. In particular, in December 2017 China and Ukraine approved action plan which foresees attraction 7 billion dollars of Chinese investment to Ukraine, which may be perceived as a sign of trust China's trust, regardless of the specificity of political

and economic situation caused by Russian aggression.

In this respect, we have to agree with the Ukrainian diplomat and scholar Serhii Korsunskyi, Director of Hennadiy Udovenko Diplomatic Academy at the Ministry of Foreign Affairs of Ukraine, "We need to build multilateral diplomacy; we cannot focus on one direction only. The USA and the European Union are the key areas but we must work with China in such a way that they are interested in the swiftest resolution of our problems with Russia."<sup>4</sup>

Therefore, the aim of this research is to analyze the state and dynamics of political and economic relations between Ukraine and PRC, reveal promising directions of cooperation, suggest recommendations regarding the improvement of bilateral cooperation and the possibilities for Ukraine to participate in multilateral cooperation formats with China.

## 1. Political relations after 2014

2014 was marked by the beginning of a new stage in the relations between Ukraine and China. It is reasonable to assume that the Revolution of Dignity, the demise of Yanukovych regime and Russian aggression against Ukraine caused mixed feelings in China. The PRC is cautious about revolutionary events and is often seeing them as an instrument of external interference, which contradicts the founding principle of China's foreign policy – non-interference in internal affairs of other countries. Yet, coming from the same principle, Beijing also could not support the actions of Russia, which demonstrated open aggression and neglected the norms of international law and the principle of territorial integrity by annexing Crimea and starting war in the East of Ukraine.

At first, China adopted a wait-and-see approach and a cautious attempt of bilateral contact happened in October 2014 only, when Ukrainian Foreign Minister Pavlo Klimkin and his Chinese counterpart Wang Yi

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1. <http://sinologist.com.ua/odin-poyas-odin-shlyah-globalnij-geoekonomichnij-proekt-kitayu/>

2. <http://sinologist.com.ua/koshovij-s-arktychnyj-kurs-kytayu-naukovyj-ta-praktychnyj-aspekt/>

3. <https://www.bloomberg.com/graphics/2018-china-business-in-europe/>

4. <https://www.radiosvoboda.org/a/28994309.html>

met on the premises of ASEM summit (Asia-Europe Forum). Soon afterwards, a higher level meeting took place – in January 2015 Ukrainian President Petro Poroshenko and the Head of Government of PRC Li Keqiang had a meeting during World Economic Forum in Davos. As far as the meeting of two heads of state is concerned, Petro Poroshenko and Xi Jinping met only in April 2016 on the margins of Nuclear Security Forum in Washington.

It appears that during those bilateral contacts the parties were studying each other, carefully assessing the prospects of cooperation and reliability of partner. Nevertheless, already in 2017 during bilateral meeting of heads of state on January 17, 2017, as part of World Economic Forum in Davos, the ice in bilateral relations broke. During the meeting, the parties showed interest in extending the dialogue on the highest level and making economic ties more profound. They also agreed to have the next meeting of Ukrainian-Chinese Intergovernmental Commission over the course of 2017 and Xi Jinping confirmed China's support for territorial integrity of Ukraine.<sup>5</sup>

In 2017, China put forward a number of initiatives as to specific steps for deepening bilateral cooperation. More specifically, Beijing is ready to consider creation of free-trade zone with Ukraine in case of receiving a respective proposal.<sup>6</sup> EBRD specialists believe that creation of a free-trade zone with China will be a beneficial step for Ukraine and will give an opportunity to export large volumes of Ukrainian products.<sup>7</sup> Besides, the Chinese party put forward a proposal for introduction of bilateral visa free regime with Ukraine<sup>8</sup> (however, as of mid-2018 Kyiv has not paid due attention to none of the respective proposals and no specific response with regards to them has been formulated).

In December 2017, a session of Inter-Governmental Commission took place in Kyiv under the chairmanship of Stepan Kubiv – First

Vice-Prime Minister of Ukraine, Minister of Economic Development and Trade of Ukraine and Ma Kai – Vice-Prime Minister of the State Council of the PRC. During the session the parties discussed further development of Ukrainian-Chinese relations, in particular in trade and economic cooperation, industry, energy and infrastructure and discussed implementation of joint projects. Mr. Ma Kai also held negotiations with the President Petro Poroshenko and Prime-Minister Volodymyr Hroysman<sup>9</sup>, and soon afterwards Volodymyr Hroysman announced that 2019 would be the “Year of China” in Ukraine.

Apart from political contacts, China is also demonstrating support for Ukraine by extending humanitarian and technical aid. Starting from 2014, 18 countries, including the PRC, participated in providing military (material, technical and humanitarian) aid to Ukraine. Among others, China provided equipment for ophthalmologic hospital in Ukraine for a sum of 3.4 million dollars<sup>10</sup>. As part of technical assistance project, State Emergency Service of Ukraine received engineering equipment and vehicles from the government of China for a sum total of more than 185 million UAH.<sup>11</sup> The government of People's Republic of China also gave Ukraine 50 ambulance cars and China Meheco Co. installed and adjusted necessary equipment and conducted training sessions for experts.<sup>12</sup>

## 2. Gradual “thaw” in economic relations after 2014

Regarding the bilateral economic ties, starting from 2014 significant decrease in bilateral trade scope was being observed, and reached its minimum in 2015. Only in 2016 economic relations started intensifying which is proved by

5. [http://www.niss.gov.ua/public/File/book\\_2017/Poslanya\\_druk\\_fin.pdf](http://www.niss.gov.ua/public/File/book_2017/Poslanya_druk_fin.pdf)

6. <https://www.epravda.com.ua/news/2017/04/23/624165/>

7. <https://www.eurointegration.com.ua/news/2016/11/23/7057901/>

8. <https://delo.ua/economyandpoliticsinukraine/kitaj-gotov-predostavit-ukraincam-bezvizovij-rezhim-posol-330310/>

9. <https://china.mfa.gov.ua/en/ukraine-cn/diplomacy>

10. [https://ua.censor.net.ua/news/397531/minoborony\\_oprytyudnylo\\_dani\\_pro\\_obsyagy\\_dopomogy\\_ukrayinskiyi\\_armiji\\_vid\\_krayinpartneriv\\_uliaderah](https://ua.censor.net.ua/news/397531/minoborony_oprytyudnylo_dani_pro_obsyagy_dopomogy_ukrayinskiyi_armiji_vid_krayinpartneriv_uliaderah)

11. <http://tyzhden.ua/News/181115>

12. <https://hromadske.ua/posts/kytai-nadav-ukraini-50-avtomobiliv-shvydkoi-dopomohy>

gradual increase of trade turnover. Among areas which demonstrate high cooperation dynamics is agriculture. Total trade turnover in agriculture has increased by 56% since 2014.<sup>13</sup> In 2015 Ukraine became the main supplier of corn to China surpassing the USA.<sup>14</sup> Among the key players in the sector is Noble Agri, which is owned by the state COFCO (China National Cereals, Oils and Food Stuffs Corporation). The company owns sunflower seed processing facilities in Mariupol as well as a port terminal in Mykolayiv (Chinese State Corporation invested 75 million US dollars into project implementation. The construction lasted for 20 months – from August 2014 to April 2016<sup>15</sup>). Part of COFCO Agri Ukrainian group of companies is also Danube Shipping and Stevedoring Company.

On political level, China has demonstrated interest in investing into Ukraine as part of One Belt, One Road initiative. Among the areas that the Chinese side is seriously interested in is agriculture and energy sector, infrastructure projects, export-oriented processing facilities and energy machine engineering companies, power industry. In particular, in June 2018, CNNC (China National Nuclear Corporation) signed a Memorandum on Possibilities of International Cooperation with Enerhoatom on finishing construction of the third and fourth blocks of Khmelnytskyi power plant<sup>16</sup>. In this respect China is demonstrating readiness for competition with the American Westinghouse Electric Company and Russian TVEL. Before that, in December 2017, a Memorandum of Understanding was signed between State Energy on Energy Efficiency of Ukraine and National Energy Administration of China for cooperation in energy efficiency, renewable energy and alternative energy sources. Apart from that, Chinese CCEC state-owned company (China National Complete Engineering Corporation) and

private GCL company (Golden Concord Holdings Limited) signed a protocol on implementation of energy projects in Odesa, Mykolayiv and Kherson regions.

With respect to infrastructure, cooperation is expected between Ukravtodor and China Road and Bridge Corporation, which signed a memorandum on construction of Odesa-Mykolayiv concrete road<sup>17</sup>. Ukravtodor also signed a contract with the Chinese Xinjiang Communications Construction Group Co., Ltd on overhaul of specific sections of Stryi-Ternopil-Kropyvnytskyi-Znamyanka road and works on sections of Kyiv-Kharkiv-Dovzhanskyi road.<sup>18</sup>

Also, among the successful infrastructure projects it is worth mentioning completion of works on Pivdennyi port dredging<sup>19</sup>, conducted by China Harbor Engineering Company, which also embarked on dredging of Chornomorsk port<sup>20</sup>.

At the same time, we are still observing cautiousness of Chinese companies regarding investment into Ukrainian economy (according to the data of State Statistics Service of Ukraine, the share of China in total volume of direct foreign investment for 2010-2017 makes up only 0.05%). In this respect, it is worth remembering the words of Deputy Minister of Infrastructure of Ukraine on European Integration Viktor Dovhan during Ukrainian-Chinese Business Forum in July 2018 in the city of Kyiv, "In 2017 Chinese companies entered Ukrainian market and hopefully in 2018 we will welcome Chinese investment."

One of the priority areas which ensures the «strategic depth» of the bilateral relations is space as well as military and technical cooperation between our countries. Bearing in mind the

13. <https://theconversation.com/will-chinese-investment-sacrifice-ukraines-dreams-of-democracy-to-economic-needs-61151>

14. <https://thediplomat.com/2016/03/why-china-is-interested-in-ukraine/>

15. <https://mtu.gov.ua/news/26913.html>

16. <https://www.facebook.com/DombrovskijOleksandr/posts/1833393283364125>

17. [https://ua.censor.net.ua/news/446924/kytayiska\\_kompaniya\\_buduvatyme\\_betonnu\\_avtodorogu\\_odesa\\_mykolayiv](https://ua.censor.net.ua/news/446924/kytayiska_kompaniya_buduvatyme_betonnu_avtodorogu_odesa_mykolayiv)

18. <https://ua.korrespondent.net/business/companies/3944432-kytayska-kompaniia-vyrishyla-pobuduvaty-v-ukraini-dorohu>

19. <http://www.atlanticcouncil.org/blogs/ukrainealert/with-russia-on-the-sidelines-china-moves-aggressively-into-ukraine>

20. <https://economics.unian.ua/transport/10218185-kitayska-kompaniya-pochala-dnopogliblennya-v-portu-chornomorsk.html>

ambitious plans that the PRC has regarding implementation of its own space program<sup>21</sup> and military reform of People's Liberation Army of China, Ukraine remains a promising and interesting partner in the sphere of high-tech solutions.

Attesting to this is a number of meetings between representatives of aerospace institutions and companies of Ukraine and China resulting in some important documents being signed. Cooperation between our countries gained new impetus upon 2016 signing of Long-Term Ukrainian-Chinese Space Cooperation Program 2016-2020. The document foresees joint implementation of over 70 projects, most of which are related to creation of aerospace equipment with regard for implementation of Lunar Exploration Programme and Solar System Exploration Mission by the PRC as well as cooperation in creation of new materials and remote sensing of the Earth. On top of that, key areas of cooperation include design and construction of spare parts for carrier rockets and space apparatus; research; creation of modern of materials for space technology; exchange of data received from space.<sup>22</sup>

It is worth mentioning the attention of Chinese party to the necessity of full-scope implementation of measures set out in the Programme. Already in July 2016, the Embassy of PRC to Ukraine held a meeting with the heads of State Space Agency of Ukraine during which the parties discussed prospects for the development of bilateral Ukrainian-Chinese cooperation in space exploration and the commencement of Programme implementation. Head of State Space Agency of Ukraine Lyubomyr Sabadosh stated that Ukrainian-Chinese cooperation in space industry was developing actively, which was confirmed by almost double increase of the number of projects which were included into the new Program. In his turn, Ambassador of the PRC to Ukraine Du Wei reassured that cooperation in space exploration was one of the priority areas of bilateral relations

and space experts were among those coming to Ukraine most often.<sup>23</sup> Later on, in November 2017 the fourth session of Ukrainian-Chinese Subcommission on Space Cooperation took place in Beijing. During the session attended by the delegation from State Space Agency of Ukraine headed by P. H. Dehtyarenko and representatives of a number of Ukrainian spacecraft manufacturers intermediary Programme implementation results were discussed and the revised Programme was approved. Also, during the visit Ukrainian delegation was invited to a number of organizations and companies representing China's space industry, where they discussed current state of cooperation and the possibilities for its further development.

Important from the perspective of military and political ties development, was the session of Ukrainian-Chinese Subcommission on Military and Technical Cooperation of the Commission on Cooperation between the Governments of Ukraine and the PRC which took place in August 2016 in Beijing. The very fact of such a session being held caused significant interest and confirmed balanced position of the Chinese government regarding Russian aggression against Ukraine. In this respect, we should remember the statement made by China on August 12, 2016 during UN Security Council session. Extraordinary session was dedicated to Russian provocation on the administrative border of Crimea. When the representative of Russian Federation tried to blame Ukraine for aggression against Russia, representative of China, Ambassador Liu Jieyi stated, "We respect territorial integrity of Ukraine within the borders established in 1991. That is why we do not accept the formulation "terrorist act on Russian territory"<sup>24</sup>. Firm stance of China publicized by mass media became an important rebuttal of Russian propaganda as to alleged support of Russian aggression against Ukraine by China. On the other hand, the impact of Russian factor on Ukrainian-Chinese relations remains a complicated issue – Russia is still

21. <http://sinologist.com.ua/kiktenko-v-o-kosmichni-obriyi-sotsialno-ekonomichnogo-pidjomu-kytayu/>

22. <http://www.nkau.gov.ua/nsau/newsnsau.nsf/NewsallU/9C8B3156C3EC6D07C2257F8F0021AF76?OpenDocument&Lang=U>

23. <http://www.nkau.gov.ua/nsau/newsnsau.nsf/NewsallU/DD07AA18BFC6DB53C2257FE90050D1E5?OpenDocument&Lang=U>

24. <http://www.niss.gov.ua/content/articles/files/dalekoshid-ec76e.pdf>

trying to weaken bilateral ties between Ukraine and China and discredit Ukraine as a stable and reliable partner. Among impact factors, it is worth noting that Russia is actively exploiting its alleged partnership with China for hybrid war against Ukraine, spreading propaganda, fakes and manipulative anti-Ukrainian information in Chinese information space. The second factor worth mentioning is Russia's jealousy of military and technical cooperation between Ukraine and China and as result using all their leverages to weaken the cooperation as significantly as possible, in science and technology, military and technical spheres in particular. Finally, Moscow is actively using the specific features of Chinese foreign policy for its own benefit and interprets it as silent agreement to its armed intrusion in Ukraine.

When speaking of military and technical cooperation, it is worth mentioning priority of China as export market for Ukrainian military and double purpose goods. In August 2017 the twelfth session of Inter-Governmental Ukrainian-Chinese Coordination Commission on Military and Technical Cooperation (MTC) took place, in the course of which the parties discussed current state of bilateral cooperation and expressed common interest in its further development. During the meeting of First Deputy Secretary of National Security and Defense Council of Ukraine Oleh Hladkovskyi with the delegation from PLA headed by Deputy Head of the Chief Department of Arms and Military Equipment Development of PRC - General Lieutenant Liu Sheng - agreements were made on intensification of cooperation in MTC. In particular, the parties discussed the possibility of creating joint defense companies as part of improving communication between companies and institutions of Ukraine and the PRC.<sup>25</sup> Later on, the importance of cooperation with Chinese partners was confirmed in August 2018 by Oleh Hladkovskyi during reception on the occasion of 91st anniversary of PLA foundation. According to him, "military and technical cooperation with the PRC is a priority for Ukraine and a significant

scientific and technical potential of both countries allows for expansion of cooperation areas."<sup>26</sup>

In this respect, it should be noted that MTC brings significant income to state budget of Ukraine. According to estimates of Stockholm International Peace Research Institute (SIPRI), within the last five years Ukraine took 11th place on the list of military equipment exporters, with China accounting for 20% (485 mln \$). At present, this cooperation includes many projects in shipbuilding, aviation and other spheres. Ukrainian Motorsich company supplies engines and some other blocks for Chinese trainer jets K-8 (Ukrainian engine AI-25) and L-25 (Ukrainian AI-222-25 Ф). Within navy cooperation, Ukraine built and delivered to China two project 958 Bison air-cushion landing ships. Ukrainian specialists were also involved in construction of another ship on the territory of PRC. Obviously, MTC as a sphere is wider than that but even this public information reflects China's interest in defense and industry complex of Ukraine.

At the same time. experts insist on extending cooperation not only towards increase of scope and variety of products but also towards the necessity to enhance combat potential of the Ukrainian army using military and technical cooperation with the PRC. Among promising directions, which we should develop, are cooperation in the sphere of combat aircraft and high-speed floating platforms building. On the basis of experience obtained when building Chinese Hongdu L-15 training jet equipped with Ukrainian AI-222-25Ф engine manufactured by Motorsich company we can launch design and joint manufacturing of fighter jets which Ukrainian army needs badly right now. In 2015 negotiations were underway for building of L-15 plane at Odesaviaremservis aviation plant in Odesa but for now the talks regarding joint venture have stopped. At the same time, Ukrainian market is wide for Chinese weapon systems. Ukraine needs between 60 and 120 fighter jets. Another promising direction is cooperation in manufacturing of high-speed floating platforms

25. <http://www.rnbo.gov.ua/news/2854.html>

26. <http://www.rnbo.gov.ua/news/3089.html>

for so-called “mosquito fleet” of Ukraine. In view of the opinions of Ukrainian navy chiefs, building of national Ukrainian corvette project 58250 takes too much time (State Target Defense Program of Ukraine has been extended till 2028) and requires significant resources (approximately 32 billion UAH to build four ships). At the same time, it is reasonable to use China’s experience in building warships to create Ukrainian “mosquito fleet” - a series of multifunctional small LAN BM ships, which could ensure Ukraine’s security from the sea. In connection with multiple violations of maritime law by Russia, stops and arrest of Ukrainian trade ships in the Black and Azov seas, Ukraine should cooperate with China and hold negotiations on buying or joint construction of small high-speed floating platforms which may serve as foundation of security.<sup>27</sup>

### 3. Ukraine’s involvement in global and regional projects of the PRC (One Belt, One Road and 16+1)

Specialists state that One Belt, One Road initiative may be one of the most appealing geoeconomic projects for Ukraine, which, on the one hand, does not contradict Ukraine’s aspirations for further economic cooperation and economic integration with the European Union and, on the other hand, can strengthen the merits of Ukraine and offer incentives for economic development in general. In addition, closer integration with China within One Belt, One Road can decrease trade volumes and dependence on Russia which still remains the biggest trade partner of Ukraine<sup>28</sup>.

Since the Head of PRC Xi Jinping announced the initiative to build New Silk Road at the University of Astana (Kazakhstan) in September 2013, 56% of all foreign Chinese investment were aimed particularly at those countries which participated in the project. To support the project, China set up Silk Road Foundation with the capital of 40 billion dollars. Asian Infrastructure Investment Bank

(AIIB) set up by China with the capital of 50 billion US dollars (with potential increase to 100 billion dollars) is gradually turning into key institution which invests in projects in countries along the Silk Road in addition to funds invested by Chinese business structures.

At the same time, even though Ukraine was the first European country to support the Chinese initiative on the highest level, further course of events in Ukraine resulted in Ukraine’s participation being still declarative. It was expected that the 3rd session of Commission on Cooperation between the Governments of China and Ukraine which took place in December 2017 could change the situation, as during the session Vice-President of PRC State Council Ma Kai and Prime-Minister of Ukraine Volodymyr Hroysman had a meeting. Based on the results of meeting, press-service of the Cabinet of Ministers of Ukraine reported that Ukraine and China were moving to a new strategic level of interaction which foresees implementation of joint projects for a sum total of 7 billion US dollars. A number of agreements was signed, including Action Plan Ukraine-PRC on implementation of the initiative for creating Great Silk Road Economic Belt and 21st Century Maritime Silk Road and a Memorandum of Understanding in energy efficiency, renewable energy and alternative energy sources was signed between State Agency on Energy Efficiency and Energy Saving of Ukraine and National Energy Administration of China. At the same time, the documents state that we will participate in expanding of One Belt, One Road, yet they do not specify that Ukraine becomes a full member of the Chinese initiative. Apart from that, the Plan does not contain any specific Chinese-Ukrainian projects which are expected to be implemented but is rather filled with general statements and non-specific formulations. Lack of specific content in the Plan makes us believe in its declarative character which is not binding and will not assure the expected results.

In this context, the experience of neighboring Belarus appears to be interesting as the Chinese are actively implementing the project on Big Stone

27. <http://cacds.org.ua/ru/activities/1342>

28. <http://sinologist.com.ua/audit-zovnishnoyi-politiki-ukrayina-kitaj/>

industrial park construction, which proves that One Belt, One Road is not only about transport and logistics projects and access of Chinese products to markets of neighboring countries. Within the Chinese initiative, production facilities can be created in direct proximity to sales markets and move of excessive capacities of Chinese companies to countries along the new Silk Road can be made.

If we speak about cooperation format 16+1, it should be noted that it was launched in 2012 and except for China it includes countries of Central-Eastern Europe, Baltic and Balkan states (Bulgaria, Czech Republic, Croatia, Hungary, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Bosnia, Macedonia, Serbia, Montenegro and Albania). Over the years of its existence, the format is getting institutional forms and subformats, such as a business forum, council of transport ministers and expert network.

In November 2017, China set up a 10 billion investment fund with the purpose of investing into countries that are part of the 16+1 initiative. The fund operates under the monitoring of International Monetary Fund and has Adriatic-Baltic-Black Sea Cooperation of Sea Ports among its priority projects.<sup>29</sup>

Yet, the critics of initiative (primarily in the USA) state that the 16+1 format is de facto not a multilateral initiative but a bigger umbrella structure which ensures efficient bilateral cooperation between China and countries of Central-Eastern Europe, Baltic and Balkan states.<sup>30</sup> US<sup>31</sup> and EU critics<sup>32</sup> demand more transparency of the 16+1 format. At the same time, the United States have their interests in the region. For instance, last year President Trump

attended the Three Seas Initiative (3SI) summit in Warsaw. Most 16+1 member-states are part of the initiative and during this years' summit in Bucharest representatives from Germany are expected to attend.

In this context, for Ukraine which is interested in expanding cooperation with Central-Eastern Europe, strives to intensify cooperation with the US and EU but also sees China as a promising partner it would be important to ensure at least its minimum presence in all the formats that are being set up in the region. Within 16+1 format Ukraine could gain the status of observer. A precedent already exists as Belarus has such a status. Thus, since this issue will be settled primarily in China, it is recommended that Kyiv, first, makes the opinion on the decisive issues of free-trade zone and visa free regime with the PRC and, second, announces its desire to join the format.

## Conclusions and recommendations

Ukraine has a declared level of strategic partnership with China, which is currently not fully implemented in reality. In 2014, the Chinese party demonstrated caution in relations with post-revolutionary Ukraine. At the same time, a positive factor is that political and economic relations between Ukraine and PRC have gradually intensified over the past years. Bilateral political contacts on the highest level (regardless of the fact that they took place on the margins of international events) resulted in improvement of the situation and already in 2017 it was fair to say that the potential of strategic partnership is exploited to a large extent. Even though cautiousness of Chinese companies with respect to investment in Ukrainian economy is still being observed, presence of Chinese business in Ukraine has noticeably increased – Chinese companies participated in tenders for implementing infrastructure projects, they own and rent facilities in different industries.

On the other hand, the impact of Russian factor on Ukrainian-Chinese relations remains

29. <http://minskdialogue.by/research/analitics-notes/novye-aktcenty-politiki-knr-v-tcentralnoi-i-vostochnoi-evrope-vozmozhnosti-dlia-belarusi>

30. [https://www.washingtonpost.com/news/theworldpost/wp/2018/07/23/china-world-order/?noredirect=on&utm\\_term=.6b8063fdb0e](https://www.washingtonpost.com/news/theworldpost/wp/2018/07/23/china-world-order/?noredirect=on&utm_term=.6b8063fdb0e)

31. <https://carnegieendowment.org/2018/04/05/china-s-relations-with-u.s.-allies-and-partners-in-europe-pub-75977>

32. <https://thediplomat.com/2018/04/eu-ambassadors-condemn-chinas-belt-and-road-initiative/>

a complicated issue - Russia is still trying to weaken bilateral ties between Ukraine and China and discredit Ukraine as a stable and reliable partner (in military and technical cooperation in particular). Russia is actively exploiting its alleged partnership with China for hybrid war against Ukraine, spreading propaganda, fakes and manipulative anti-Ukrainian information in Chinese information space. Finally, Moscow is actively using the specific features of Chinese foreign policy for its own benefit and interprets it as silent agreement to its armed intrusion in Ukraine.

Even though China is refraining from making assessments of the Ukrainian-Russian conflict, stressing upon commitment to the principles of international law and peaceful settlement of any conflicts, Beijing is demonstrating support for the territorial integrity of Ukraine. In view of the specific features of Chinese foreign policy (non-interference into domestic affairs of other countries), such an approach is already a win for Ukraine and expecting more at the moment would have been vain. Instead, there is a need to focus on promising areas of bilateral dialogue while developing economic and political components, which when combined together can create synergy in Ukrainian-Chinese relations.

In political sphere, Ukraine should take active steps to intensify bilateral political dialogue. Not only the readiness for negotiations at the highest level should be declared, but efficient steps forward should be undertaken. A meeting between leaders of Ukraine and the PRC could become a trigger for intensification of relations. In view of Chinese approach, Ukraine is the one that should move forward with initiative and present its projects within approved Chinese strategies to Beijing. It is important to realize that the content matters – maintaining the level of strategic partnership, interest of Ukraine in Chinese investment.

Because of hybrid war of Russia against Ukraine, Kyiv should be cooperating more intensely with

Beijing along the lines of military and technical cooperation and have negotiations on purchasing or joint construction of military planes and small high-speed floating platforms which could settle the issue of security for Ukraine.

Also, Ukraine should join the Chinese initiative One Belt, One Road not just in words but in action which will prioritize Ukraine as an important partner for China. For this purpose Ukraine should study the opportunity of joining Asian Infrastructure Investment Bank, which together with the Silk Road Foundation is the main financial instrument within One Belt, One Road initiative.

It is worth prioritizing effort on formulating the position of Ukraine on creation of free-trade zone Ukraine-China and a bilateral visa free regime. A principle solution of these issues will open way for new initiatives in bilateral relations. Moreover, more attention should be paid by higher authorities to Ukraine-China projects currently underway. For instance, on the level of President it is worth taking under patronage the projects in the sphere of military and technical cooperation and space and on the level of Cabinet of Ministers – patronage should be provided to projects in the sphere of infrastructure and agricultural complex.

In 2019, on the occasion of “ the year of China in Ukraine”, Verkhovna Rada of Ukraine should have parliamentary hearings on “On Interaction and Cooperation between Ukraine and the PRC” and the Ministry of Foreign Affairs of Ukraine and analytical centres of Ukraine should conduct a bilateral Ukraine-China expert forum.

In addition, in view of the presence of Chinese business on regional level, it would be reasonable to ensure availability of experts on China at the level of regional state administrations of regions cooperating with China. The government should be interested in strengthening of direct ties between business elites of both countries; Ukrainian and Chinese analytical centers; state support for the interaction between expert communities on

policy, security, economy, international issues and culture.

In this context, Ukraine should create an analytical centre that would conduct targeted and systematic work on studying the aspects of internal and foreign policy of PRC, the specific features of PRC legal system, aspects of Ukrainian-Chinese relations etc. Such a center would manage to unite experts of different spheres that could provide expert support to Ukrainian-Chinese projects on macro and microeconomic level. Close cooperation of Ukrainian specialists with their Chinese counterparts would give an opportunity to enhance the level of expert assessment and prevent erroneous opinions about China from emerging. In this respect, it is also worth opening at least a couple of offices of Ukrainian media in China so that we could get more objective and

unbiased information about the PRC.

As far as the 16+1 goes, Ukraine should launch consultations regarding participation in this format at least on the level of observer and conduct respective consultations with Belarus to learn from their experience of gaining such a status. In addition, we should have consultations regarding the potential role and place of Ukraine within the framework of Euro-Asian Connectivity European strategy.

The development of cooperation between Ukraine and the PRC is an opportunity to lessen the influence of Russia. Moreover, attracting big state capital from China to Ukraine will decrease the risks of escalating military action on the territory of Ukraine on the part of Russia and will increase the geostrategic value of Ukraine for China.

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Notes



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