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UKRAINE AND CHINA: GROWING MUTUAL INTEREST AMIDST INCREASING INTERNATIONAL TURBULENCE

Sergiy Gerasymchuk

Foreign Policy Council "Ukrainian Prism"

The article focuses on the ups and downs in the bilateral China-Ukraine relations, explains the gaps in the bilateral political dialogue after the Revolution of Dignity in 2013-2014, and outlines priority areas for cooperation, including economic cooperation. Besides, the most successful projects and initiatives are mentioned and promising areas of cooperation are discussed. However, risks rooted in the deterioration of China and the West relations are also tackled, and recommendations for a balanced foreign policy of Ukraine towards China are suggested.

Shaping Ukrainian foreign policy towards China is a challenging task nowadays. First, the history of the bilateral relations had both high and low points. Promising periods in the bilateral relations were often followed by periods of mutual frustration and disappointment. Sustainability of political relations remains fragile, mostly depending on high-level political dialogue and on the relations between the leaders of the two states. However, it is impossible to ignore the fact of the growing Chinese presence in the region of Central and Eastern Europe, Chinese regional initiatives including the global "Silk Road Economic Belt" (further known as "One Belt One Road" and "Belt and Road Initiative") and the regional "16+1" format. Also, there is a necessity to consider the growth of trade and economic ties, Chinese interest in Ukraine's high-tech and agricultural potential, Chinese vocal expectations to establish a free trade area and visa-free regime with Ukraine.

Consideration of the mentioned trends is a necessary prerequisite for shaping effective and efficient policies towards Beijing. Above and beyond, Ukraine has to consider the vital necessity of finding a balance between Beijing, Brussels, Berlin, and Washington. If previously the growing Chinese presence at the European markets was perceived by European leaders and business as an opportunity to fuel European economies with investments, in the recent years, disapproval can be observed; the EU and the United States criticize China for the lack of reciprocity in opening up its markets, assertive attempts to gain control over critical infrastructure objects, lack of transparency of the Chinese companies' procurement procedures.

Under such circumstances, Kyiv has to apply its efforts to find an appropriate approach for engaging Chinese investments while preserving Ukrainian national interests

and avoiding steps that may eventually hurt interests of other global players and Ukraine's Western allies in the region.

Background of the Current Ukraine-China Relations: Ups And Downs, Missed Opportunities and Promising Initiatives

Attempts to develop relations with China and simultaneously to proceed with the European and Euro-Atlantic integration have already been made by Ukraine under the presidency of Leonid Kuchma (1994-2005). Engaging China economically and politically, perceiving Beijing as an important partner in the international arena was rooted in the multi-vector foreign policy applied by President Kuchma. He paid

a close partner to the EU and Russia. Moreover, China also had direct interest in the Ukrainian military-industrial complex.

The relations between the two countries became less dynamic in the time of Kuchma's successor, Viktor Yushchenko (2005-2010). One of the key reasons for the deterioration of the bilateral relations was, on the one hand, the openly pro-Western preferences declared by President Yushchenko alongside with breaking ties with the Russian Federation (whereas the Chinese side cautiously avoided questioning the Russian role in the post-Soviet space)².

However, even more challenging for the relations between the two countries was the fact that Ukrainian officials invited high-ranking Taiwanese officials to attend a semi-official international conference in late 2005, leading to a stalling in senior-level exchanges during the Viktor Yushchenko administration³. Since that time and up to the current moment, China consistently supports Ukraine's sovereignty and territorial integrity and expected Ukraine in manner of reciprocity to be committed to the "one China" policy. Sensitivity of China about this issue is only growing and therefore has to be considered by the Ukrainian politicians if they expect further fruitful cooperation with Beijing.

The presidency of Viktor Yanukovich (2010-2014) led to a new U-turn in the bilateral contacts. In the beginning of his term, Yanukovich was trying to conceal his pro-Russian sentiments by exploiting Kuchma's legacy of the multi-vector policy (although



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several visits to China – in December 1995 and in November 2002. On 03 April 2003, at the meeting in Beijing between President Hu Jintao and President Kuchma, China's head of state officially declared Ukraine to be a key partner in Eastern Europe.¹ Presumably, Kuchma was trying to engage China as a counterbalance to both Russia and the EU. At the same time, China was developing its strategy towards Europe and benefited from strong diplomatic and economic ties with the country, which was simultaneously

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- 1 Z. Liu, *The Analysis of the Relationship between China and Ukraine*, China-CEEC Think Tanks' Network, 11 January 2018 [<http://16plus1-thinktank.com/1/20160111/1095.html> access: 16 June 2018].
 - 2 A. Goncharuk, E. Hobova, V. Kiktenko, O. Koval, S. Koshovy, *Foreign Policy Audit. How to Revive Ukrainian-Chinese Relations*, "Euromaidan Press", 07 December 2016 [<http://euromaidanpress.com/2016/12/07/ukraine-china-international-relations-silk-road-trade/> access: 16 December 2018].
 - 3 Y. Dong, *Ukraine and Chinese Investment: Caution Amid Potential?*, Foreign Policy Research Institute, 06 December 2017 [<https://www.fpri.org/article/2017/09/ukraine-chinese-investment-caution-amid-potential/> access: 16 December 2018].

the contacts with China were mostly utilized to justify objections to the Western norms and values that Yanukovych did not share).

Both in 2011 and in 2013, there were exchanges of state visits of the Chinese and Ukrainian leaders accompanied by signing of important bilateral documents – e.g. a joint statement upgrading the countries' friendly and cooperative relations to a strategic partnership.⁴ An important content of the China-Ukraine strategic partnership was support to each other on issues concerning national sovereignty, reunification, and territorial integrity. The two sides agreed that cooperation in the fields of trade and economy, investment, science and technology, aviation, aerospace, agriculture, and infrastructure construction is a priority in the future development of bilateral relations.⁵

In the course of the Chinese President's visit to Ukraine in June 2011, the Joint Declaration on Establishment and Development of Strategic Partnership Relations between Ukraine and China was signed. The visit of the President of Ukraine in December 2013 was marked with signing the Treaty on Friendship and Cooperation between Ukraine and the People's Republic of China, the Joint Declaration on Further Deepening of Strategic Partnership Relations between Ukraine and the People's Republic of China, and the Program of Development of Strategic Partnership Relations between Ukraine and the People's Republic of China for the years 2014-2018. The parties agreed to strengthen high-level exchanges and to enhance strategic mutual trust as well as to enhance the role of the China-Ukraine Inter-

governmental Cooperation Committee, to strengthen cooperation in the fields of agriculture, energy resources, infrastructure construction, finance, and high-tech. Ukraine also expressed its readiness to join the "Silk Road Economic Belt". The Chinese side expresses welcome for this and is ready to discuss relevant cooperation with the Ukrainian side.⁶



Although the dynamics of the bilateral contacts was low in 2015-2016, in 2017 there was a breakthrough in the relations

However, the timing was not favourable considering the fact that the visit took place already in the period of mass manifestations in Ukraine further known as the Revolution of Dignity, followed by the fall of the Yanukovych regime. China is known for prioritizing contacts between leaders and for sensitivity towards revolutionary movements, which are often perceived in Beijing with a certain suspicion. In this regard, the promising declarations had low chances for implementation in a short-term period.

Engaging China – Assessment of the Efforts of the Current Ukrainian Political Leadership

Notwithstanding the circumstances of the fall of President Yanukovych, further development of the relations between the two states continued under President Poroshenko. Interestingly, despite close political ties with the Russian Federation and

4 Z. Liu, *The Analysis of the Relationship between China and Ukraine*, China-CEEC Think Tanks' Network, 11 January 2018 [<http://16plus1-thinktank.com/1/20160111/1095.html> access: 16 June 2018].

5 Z. Liu, *The Analysis of the Relationship between China and Ukraine*, China-CEEC Think Tanks' Network, 11 January 2018 [<http://16plus1-thinktank.com/1/20160111/1095.html> access: 16 June 2018].

6 Xi Jinping Holds Talks with President Viktor Yanukovich of Ukraine, the Two Heads of State Agree to Further Deepen China-Ukraine Strategic Partnership, Embassy of the People's Republic of China in the Kingdom of Norway, 06 December 2013 [<http://www.chinese-embassy.no/eng/zyxw/t1107553.htm> access: 14 December, 2018].

sensitivity towards the Russian role in the region, China was one of the first countries in mid-March 2014 to propose a peaceful settlement of the “Crimean issue” in the form of an international coordination mechanism, which had to include all stakeholders. These calls and China’s position, however, were ignored by Kyiv, its Western partners, and Russia.⁷

Although the dynamics of the bilateral contacts was low in 2015-2016, in 2017 there was a breakthrough in the relations. After the meeting of the President of Ukraine Petro Poroshenko with the Chinese leader Xi Jinping at the beginning of 2017 (in the framework of Davos World Economic Forum), the parties agreed to resume activities of the Ukraine-China Intergovernmental Cooperation Commission and, indeed, on 05 December 2017, Ukraine’s First Deputy Premier and Minister for Economic Development and Trade Stepan Kubiv and China’s Vice-Premier Ma Kai launched the third session of the respective commission. It is worth mentioning that the scheduled time of the commission’s meeting was 2015 but both parties took the time before formal steps on enhancing cooperation. However, the meeting of the leaders in Davos was an indicator for the respective agencies of both countries to proceed with practical steps.

At a meeting with Vice-Premier of the State Council of the People’s Republic of China Ma Kai in December 2017, President Poroshenko assessed the results of the Commission’s third session as positive, confirming Ukraine’s interest in continuing involvement in China’s “One Belt, One Road”

initiative, in relation to which Ukraine’s priority is to include Chinese technological possibilities and capital in the development of the country’s economy. The Ukrainian side also took this opportunity to highlight the importance of China’s consistent position with regards to respecting the territorial integrity and sovereignty of Ukraine and not recognizing Russia’s temporary occupation of the Ukrainian territory in Crimea.

In addition, according to the announcement made by Vice-Premier Ma Kai, China assigned USD 7 billion for cooperation with Ukraine, and this sum can be increased in case of a successful implementation of projects (although none of the documents signed in December 2017 mentions specific investments, and the Action Plan has just general phrases about deepening the cooperation in certain areas without any reference to the specific projects).⁸ During the meeting, Poroshenko handed over an invitation to President Xi to visit Ukraine⁹, although the probability of such a visit is low – the Chinese leadership will rather wait for the results of the presidential elections in Ukraine in 2019 and only afterwards will make a decision.

Political interest towards China in 2018 was repeatedly expressed at the level of the executive and legislative institutions of Ukraine. The 2018 *Analytical Report to the Annual Address of the President of Ukraine to the Verkhovna Rada* draws attention to global projects of the People’s Republic of China, in particular to the fact that 56% of all Chinese foreign investments were directed to countries taking part in the New Silk

7 A. Goncharuk, E. Hobova, V. Kiktenko, O. Koval, S. Koshovy, *Foreign Policy Audit. How to Revive Ukrainian-Chinese Relations*, “Euromaidan Press”, 07 December 2016 [<http://euromaidanpress.com/2016/12/07/ukraine-china-international-relations-silk-road-trade/> access: 16 December 2018].

8 *Ukrainian Prism: Foreign Policy 2017*, Foreign Policy Council “Ukrainian Prism”, 2017 [http://prismua.org/wp-content/uploads/2018/04/A5-prizma2017_eng_web.pdf access: 09 February 2019].

9 A. Honcharuk, V. Kiktenko, *Ukraine–China Relations*, Ukrainian Association of Sinologists, 04 April 2018 [<http://sinologist.com.ua/en/honcharuk-kiktenko-v-ukraine-china-relations-november-2017-february-2018-truman-index-2018-2-6-p-14-19/> access: 02 February 2018].

Road project. The document also mentions China's regional initiatives, especially the "16+1" format, and suggests that Ukraine should join the initiative.¹⁰

On the one hand, efforts in this regard, if successful, may result in explicit demonstration of China's interest towards Ukraine as an actor in the region of Central and Eastern Europe. However, on the other hand, the Ukrainian government has to take into consideration the growing suspicions of Berlin and Brussels, who allegedly believe that the primary goal of the Chinese initiative goes far beyond pure economic cooperation. The respective policies of Germany should be taken as a sample in the process of the decision-making related to the Ukrainian engagement in the initiative, and, probably, the status of an observer in the Initiative has to be gained first.

Constant Economic Interests

Despite the ups and downs in the political dialogue, the lack of high-level bilateral contacts, and delays in implementing political declarations, some spheres of the bilateral cooperation were in the focus of the economic actors notwithstanding the personalities of the leaders both in China and in Ukraine. That is no surprise since for Ukraine China is an important economic partner and the Chinese interest in Ukraine is also gradually growing.

According to the statistics of bilateral trade, after some slowdown in 2015, the gradual

growth in the bilateral trade turnover is being observed. In 2013, the trade turnover was at the level of USD 10,627,431; in 2014 – USD 8,085,079; in 2015 – USD 6,170,070. In 2016 and 2017, gradual growth was observed – USD 6,520,216 and USD 7,688,002 respectively.



The area of the primary interest of the Chinese state has been the Ukrainian military-industrial complex

During 2018, bilateral trade in goods between Ukraine and China increased to USD 8.8 billion. According to First Vice-Prime Minister Stepan Kubiv, in five years Ukraine and China plan to bring this figure up to USD 10 billion a year.¹¹

The area of the primary interest of the Chinese state has been the Ukrainian military-industrial complex. China has always been interested in the technologies and hi-tech products Ukraine was able to provide, whereas Ukrainian producers were interested in the huge Chinese market.¹² China has purchased from Ukraine ships, tanks, aircrafts and an aircraft carrier, different types of power systems for aircraft carriers and large ships, supersonic advanced training aircraft, key equipment for tank engines and air-to-air missiles, as

10 Аналітична доповідь до щорічного Послання Президента України до Верховної Ради України "Про внутрішнє та зовнішнє становище України в 2018 році" (Analytical Report to the President's Address to Verkhovna Rada of Ukraine "Regarding the Internal and External Situation in 2018"), National Institute for Strategic Studies, 2018 [http://www.niss.gov.ua/public/File/Analit_Dopovid_Poslannia_2018.pdf access: 05 March 2019].

11 Україна та Китай наростили товарообіг між країнами до \$8,8 мільярда — Кубів (Ukraine and China Increased Bilateral Trade to \$8.8 Billion – Kubiv), "Business.ua", 25 January 2019 [<https://business.ua/news/item/4547-ukraina-ta-kytai-narostyly-tovaroobih-mizh-krainamy-do-usd8-8-miliarda-kubiv>].

12 I. Ava-Pointon, *The Dragon and the Trident: A Quick Introduction to Sino-Ukrainian Relations in the Era of the New Silk Roads*, "The Sundial Press", 10 May 2018 [<http://www.sundialpress.co/2018/05/10/dragon-trident-quick-introduction-sino-ukrainian-relations-era-new-silk-roads/> access: 13 February, 2019].

well as engines for high-altitude helicopters.¹³ Ukraine has played a significant role in China's military modernization.

Moreover, Chinese civil programs also benefited from cooperation with the Ukrainian counterparts. For example, the "Snow Dragon"/"Xue Long" icebreaker, which plays a crucial role in the implementation of the Chinese Polar Strategy, was also purchased from Ukraine.¹⁴

Another hi-tech cooperation field is space-related industrial cooperation. Political contacts in 2017 resulted in the renewed Ukraine and China program of cooperation in the space sphere until 2020. The respective agreement ensures implementation of more than 70 projects, most of which are implemented under the umbrella of the Chinese ambitious Moon program and mission on the research of the Solar System as well as creation of new materials and remote sensing of the Earth.¹⁵

Yet, one traditional field of cooperation that has been developing, despite the political turmoil either in Ukraine or in the bilateral relations, is cooperation in the field of agriculture. China's Noble Agri, wholly owned by the influential COFCO (China National Cereals, Oils, and Foodstuffs Corporation), has two assets in Ukraine: in Mariupol (sunflower seed processing

complex with a daily crushing capacity of 1,500 metric tons and storage capacity of 180,000 metric tons) and in Mykolaiv (grain port terminal with the capacity of 2.5 million tons per year and storage capacity of 125,000 tons). In 2015, Ukraine overtook the US as China's number one corn supplier.¹⁶ Despite the Russian efforts to label Ukraine as a failed state, to limit economic potential of Ukraine, and to invigorate Russian allies to side with Moscow, China has mainly been following its own interests. Since Russia annexed Crimea in 2014, the volume of agricultural trade between Ukraine and China has increased by 56%.¹⁷

Acquiring of the Ukrainian Bank for Reconstruction and Development by China's Bohai Commodity Exchange in 2017¹⁸ gives a signal about Chinese desire to engage further in Ukrainian economy.

Ukraine's participation in China International Import Expo (CIIE) 2018 on 05-08 November was one of the remarkable results of the year. The EBRD supported Ukraine's participation in CIIE 2018 within the framework of the EU's EU4Business initiative, which helps Ukrainian companies to enter new markets.

Also in June 2018, CNNC (China National Nuclear Corporation) signed a *Memorandum on Possibilities of International Cooperation*

13 Z. Liu, *The Analysis of the Relationship between China and Ukraine*, China-CEEC Think Tanks' Network, 11 January 2018 [<http://16plus1-thinktank.com/1/20160111/1095.html> access: 16 June 2018].

14 S. Gerasymchuk, *Сніжний дракон у полярних льодах – Арктична політика КНР (Snow Dragon in Polar Ice – the Arctic Policy of PRC)*, "Ukrayinsky Interes", 29 January 2018 [<https://uain.press/articles/snijnyj-dragon-u-polyarnyh-lodah-arktychna-polityka-knr-682723> access: 14 February 2019].

15 *Ukraine, China Renew Cooperation in Space Sphere until 2020*, "112 International", 28 November 2017 [<https://112.international/ukraine-top-news/ukraine-china-renew-cooperation-in-space-sphere-until-2020-23109.html> access: 12 February 2019].

16 O. Mykal, *Why China Is Interested in Ukraine*, "The Diplomat", 10 March 2016 [<https://thediplomat.com/2016/03/why-china-is-interested-in-ukraine/> access: 16 February 2019].

17 O. Oleinikova, *Will Chinese Investment Sacrifice Ukraine's Dreams of Democracy to Economic Needs?*, "The Conversation", 11 August 2016 [<https://theconversation.com/will-chinese-investment-sacrifice-ukraines-dreams-of-democracy-to-economic-needs-61151> access: 05 March 2019].

18 J. Brooke, *With Russia on the Sidelines, China Moves Aggressively into Ukraine*, "Atlantic Council", 05 January 2018 [<http://www.atlanticcouncil.org/blogs/ukrainealert/with-russia-on-the-sidelines-china-moves-aggressively-into-ukraine> access: 12 February 2019].

with Enerhoatom on finishing the construction of the third and fourth blocks of Khmelnytskyi power plant. Before that, in December 2017, a *Memorandum of Understanding* was signed between the State Agency on Energy Efficiency of Ukraine and National Energy Administration of China for cooperation in energy efficiency, renewable energy, and alternative energy sources.

Another new trend (which is corresponding with the global trends in Chinese overseas economic activities) is the interest of Chinese companies in infrastructure projects in Ukraine. With respect to infrastructure, cooperation is expected between Ukravtodor and China Road and Bridge Corporation, which signed a memorandum on the construction of Odesa-Mykolaiv road. State-owned 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. Also, among the successful infrastructure projects, it is worth mentioning the completion of works on Pivdennyi port dredging, conducted by China Harbour Engineering Company, which also embarked on dredging of Chornomorsk port. Arguably, these projects may indicate the interest of the Chinese economic actors in bidding for concession of the capacities of the mentioned ports.

Ambitious Plans for the Future

It is understandable that Ukraine-China relations are far below their potential. There are several ambitious plans and project, which are already on the agenda.

In 2017, China undertook another step for establishing closer relations with Ukraine, proposing to set up a mutual visa-free regime between the two countries. The respective negotiations have not started but will start immediately when the Ukrainian side will inform China about the readiness for the respective talks, according to the information from the Chinese Embassy to Ukraine.¹⁹ In April 2018, China unilaterally established a visa-free regime for Ukrainian tourists visiting resorts of Hainan province.²⁰



***at the level of the President,
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sphere of military and technical
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The enthusiasm of the Chinese side is perceived in Ukraine with mixed feelings. On the one hand, within the Ukrainian strategy of building a coalition of allies able to support Kyiv in its fight with the Russian Federation, closer relations with Beijing can be perceived as an asset. However, at the same time, Kyiv has to consider that in political terms China usually prefers neutrality, whereas the relations with the EU and the US, who are the key allies of Ukraine providing economic and military assistance, remain to be of vital importance for the Ukrainian sovereignty. The emerging tensions between the US and the EU on the one hand and China on the other hand put Ukraine into an uncomfortable position when each step in the direction of closer relations with Beijing can be perceived with nervousness in Washington, Brussels, and Berlin.

19 *Ще один ніж у спину: Китай заговорив про безвізовий режим та зону вільної торгівлі з Україною (One More Stab in the Back: China Started Talking about Visa-free Regime and Free Trade Zone with Ukraine)*, "24 Kanal", 26 April 2017 [https://24tv.ua/shhe_odin_nizh_u_spinu_kitay_zagovoriv_pro_bezvizoviy_rezhim_ta_zonu_vilnoyi_torgivli_z_ukrayinoyu_n822281 access: 11 March 2018].

20 *У Китаї відмінили візи для українців (In China Visas for Ukrainians Abolished)*, "Ukrmedia", 19 April 2018 [https://ukr.media/world/354707/ access: 12 February 2019].

Under such circumstances, in political sphere, Ukraine should take active steps to intensify bilateral political dialogue, no matter who is going to become the new President of Ukraine. A meeting between the leaders of Ukraine and China as soon as in 2019 could become a trigger for the intensification of the relations. Besides, more attention should be paid by the Ukrainian authorities to the Ukraine-China projects that are currently underway. For instance, at the level of the President, it is worth taking under patronage the projects in the sphere of military and technical cooperation, space industry; and at the level of the Cabinet of Ministers, patronage should be provided to projects in the sphere of infrastructure and agricultural complex.

Within the “16+1” format, Ukraine should launch consultations regarding its participation in this format at least at the level of an observer and to conduct respective consultations with Belarus to learn from their experience of gaining such a status.

In addition, there is a need to have consultations with the EU regarding the potential role and place of Ukraine within the framework of the European strategy on

Euro-Asian Connectivity. Such a step would prove to both the Chinese and the European partners Ukraine’s desire to benefit from cooperation and to avoid any steps that may hurt the interests of the political and economic partners.

Finally, the government should be interested in enhancing dialogue between business elites, analytical centres, and experts’ communities of Ukraine, the EU, and China in order to elaborate commitment-oriented recommendations on the improvement of economic cooperation, finding reasonable compromises regarding sensitive political issues, and elaborating win-win strategies of implementing global and regional cooperation initiatives.

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