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## UKRAINIAN-CHINESE INVESTMENT COOPERATION

Розглянуто стан та динаміку торгово-економічного та інвестиційного співробітництва між Україною та КНР.

Метою дослідження є вивчення українсько-китайського співробітництва у сфері інвестицій та інновацій.

Мета статті — забезпечити науково обґрунтовані пропозиції щодо активізації українсько-китайського співробітництва у сфері інновацій та інвестицій.

Виділено перспективні проекти і програми, що можуть бути реалізовані в Україні із залученням китайських інвестицій. Ідентифіковано інтереси обох сторін у інвестиційній та інноваційній сферах. Подано пропозиції щодо активізації українсько-китайського співробітництва у інвестиційно-інноваційній сфері.

Відзначено, що інтенсифікація та диверсифікація інвестиційного та інноваційного співробітництва між Україною і Китаєм є перспективним. Україна і Китай мають великий потенціал для подальшого розширення інвестиційного та інноваційного співробітництва, оскільки вони мають взаємні інтереси в цій області.

Пропонується створити механізм моніторингу інвестиційного та інноваційного співробітництва між Україною і Китаєм, у тому числі здатності вирішувати проблеми китайських інвесторів в Україні. Такий механізм повинен бути створений в короткий час на рівні експертів у рамках підкомісії з питань торговельно-економічного співробітництва.

Китайські інвестори активно вкладають кошти у високоприбуткових галузях, і зацікавленість у співпраці проявляє себе навіть в умовах високого ризику. Зроблено пропозицію про проведення саміту (конференцію) з питань інвестицій та інноваційного співробітництва між Україною і Китаєм, у тому числі виставкових заходів з перспективних інвестиційних та інноваційних проектів.

Обґрунтована доцільність подальшого розширення співробітництва у науковій та освітній сферах, у тому числі за програмами академічного обміну. В українському бюджеті мають бути передбачені фінансові ресурси для реалізації зазначених ініціатив.

The state and dynamics of trade-economic and investment cooperation between Ukraine and China are considered.

The research objective is to study Ukrainian-Chinese cooperation in investment and innovation.

The purpose of the article is to provide scientifically based proposals for the intensification of Ukrainian-Chinese cooperation in the innovations and investment.

The promising projects and programs that can be implemented involving the Chinese investment in Ukraine are highlighted. The interests of both parties in the investment and innovation are identified. Suggestions to enhance Ukrainian-Chinese cooperation in the investment and innovation are provided.

The intensification and diversification of investment and innovation cooperation between Ukraine and China is promising. Ukraine and China have great potential for further expansion of investment and innovation cooperation, since they have mutual interests in this area.

It is supposed to create a monitoring mechanism for the investment and innovation cooperation between Ukraine and China, including the ability to resolve the problems of Chinese investors in Ukraine. Such a mechanism should be created in a short time at the level of experts within the framework of the Subcommittee on Trade and Economic Cooperation.

Chinese investors are actively investing in highly profitable industries. And the interest in cooperation manifests itself even in times of high risk. Thus, Summit (Conference) on investment and innovation cooperation between Ukraine and China, including the exhibition of promising investment and innovation projects would be helpful.

The further increase of cooperation in scientific and educational fields, including academic exchange programs will be useful. The funding for the implementation of the above initiatives should be envisaged in the budget of Ukraine.

Ключові слова: інвестиційне співробітництво, інноваційне співробітництво, китайські інвестиції, Україна, Китай.

Keywords: investment cooperation, innovative cooperation, the Chinese investment, Ukraine, China.

**Problem setting.** Ukraine and China (PRC) declared strategic partnerships. China has recognized Ukraine as a sovereign state December 27, 1991, and a week later, January

4, 1992, two countries established diplomatic relations. China consistently supports the sovereignty and territorial integrity of Ukraine. Ukraine steadily remains committed to the policy of «one China».

At the same time, China is interested in developing cooperation with Ukrainian partners, despite the considerable potential in many areas of the national economy. Despite the fact that Ukraine and China established strategic partnership in 2011, the amount of attracted Chinese investments in Ukraine decreased and promising innovative projects were «frozen». Thus, there is a need to develop scientifically based recommendations for the introduction of new mechanisms to enhance investment and innovation cooperation between Ukraine and China.

**Recent research and publication analysis.** The topical issues of Ukrainian-Chinese cooperation in trade-economic, investment and innovation are studied by domestic scientists R. Moldavchuk, I. Odotiuk, A. Goncharuk, S. Koshovyy, Ye. Yaroshenko and foreign scientists M. Kaszmarski, L. Zuokui, etc. However, the problems of intensifying investment and innovation cooperation between Ukraine and China should be conceptualized with the latest position, given the current challenges of global development and the difficult political and economic situation in Ukraine.

**The research objective** is to study Ukrainian-Chinese cooperation in investment and innovation. **The purpose of the article** is to provide scientifically based proposals for the intensification of Ukrainian-Chinese cooperation in the innovations and investment.

**Key research finding.** Trade and economic cooperation between Ukraine and China is regulated by the Agreement between the Government of Ukraine and the Government of China on Trade and Economic Cooperation (1992), according to which the MFN status is established to levy customs duties on exports and imports of both countries, taxes and other internal meeting.

The dynamics of foreign trade in goods and services between Ukraine and China during 2014-2015 tends to decrease. In 2015, the volume of total turnover compared to the previous year decreased by 22.5%, including exports decrease by 10.3% and imports — by 28.6%. The balance between exports and imports is negative for the national economy of Ukraine (Ministry of Economic Development and Trade of Ukraine, 2016).

In 2014-2015, the main part of Chinese imports was mechanical equipment, machines, equipment and mechanisms (30.8%), textiles and textile products (15.3%), non-precious metals and its goods (10.2%), polymeric materials, plastics and rubber (8.6%), footwear, headgear, umbrellas (6.0%), chemical products (5.7%) (The State Statistical Service of Ukraine, 2016).

The main item of Ukrainian exports to China in 2014–2015 remain mineral products (mainly iron ores, slag and ash, energy materials, etc.), which share was 65.9% of total exports to China; fats and oils of animal or vegetable origin (12.9%), vegetable products, mainly cereals (8.7%), wood and wood products (7.0%), mechanical equipment, machines, equipment and mechanisms (2.0%), non-precious metals and its goods (1.1%) (The State Statistical Service of Ukraine, 2016).

The promising strategic area of economic cooperation with China is the direct involvement of Ukraine to the initiative of the Chairman of China to develop the Silk Road economic belt.

Analyze the state of investment cooperation between Chinese and Ukrainian entities. Dynamics of Chinese investment in Ukrainian economy is described by the data in Table 1.

Table 1.

**Dynamics of Chinese investment in Ukraine (end of year), million USD** Based on the data from the Ministry of Economic Development and Trade of Ukraine and The State Statistical Service of Ukraine Calculations author (Ministry of Economic Development and Trade of Ukraine, 2016, The State Statistical Service of Ukraine, 2016)

	2010	2011	2012	2013	2014	2015
The increase during the year	0.9	2.2	3.3	6.9	-1.6	-3.7
Accumulated amount	13.1	15.3	18.6	25.5	23.9	20.2

As it is seen from the data presented in Table 1, the growth of Chinese investments in Ukraine's economy in 2014-2015 is negative, which means that investors from China withdraw their investments (and downsized the economic activity). The maximum positive index of attracted Chinese investments was recorded in 2013, but this amount — only 6.9 million USD — is extremely scarce comparing the opportunities of Chinese investors and Ukrainian economic potential. Cooperation between the entities in the investment field is limited by high risk of economic operations in the national economy of Ukraine (The State Statistical Service of Ukraine, 2016).

Data on the structure of Chinese investments into the Ukrainian economy is presented in Table 2.

Table 2.

**Structure of Chinese investments in the Ukrainian economy (at the beginning of the year)** Based on the data from The State Statistical Service of Ukraine. Calculations author (The State Statistical Service of Ukraine, 2016)

	2015		2016	
	million USD	% of total	million USD	% of total
Total	21.014	100.0	20.152	100.0
Agriculture	4.808	22.9	6.130	30.4
Transport, mail	3.630	17.3	3.936	19.5
Industry	4.531	21.6	3.261	16.2
Trade	3.271	15.6	3,085	15.3
Construction	1,234	5.9	1.152	5.7
Tourism, travel	0.205	1.0	0.194	1.0
Real estate	0.160	0.8	0,142	0.7

The data in Table 2 shows that Chinese investors actively invest in the most attractive branches of Ukrainian economy - agriculture, transport and mail, industry and trade. At the same time, the attracted Chinese investment in some economic activities in 2015 (manufacturing, trade, construction, tourism and travel, real estate) decreased over the previous year, which lead to decreasing for the index of investments borrowed from China for the whole economy (The State Statistical Service of Ukraine, 2016).

Chinese telecom equipment manufacturers Huawei, ZTE, Xinwei opened their offices in Ukraine. The offices of Ukrainian companies — GC «Ukrspetsexport», JSC «Motor Sich», JSC «FED», «Creative Group», «Korum Group» are opened in China (Ministry of Economic Development and Trade of Ukraine, 2016).

The following promising infrastructure projects, can be implemented by Chinese investment and (or) by export credits from China, can be selected (A.Goncharuk, 2016; V.Povoroznik, 2015; Kaszmarski M., 2015; Zuokui L., 2014):

1) Implementation of the contract for the the national project «Air Express — organization of railway passenger traffic Kyiv — the international airport «Boryspil» and construction of other infrastructure of the Kiev region» (project cost — 372 million USD);

2) Implementation of joint projects within the framework of the Memorandum of Understanding between the Ministry of Agrarian Policy and Food of Ukraine and the Export-Import Bank of China on cooperation in agriculture amounting 3 billion USD;

3) Implementation of joint projects in the energy sector under the Loan Agreement between NJSC «Naftogaz of Ukraine» and the Bank of China in the amount of 3.6 billion USD (including construction of coal gasification at the Odessa port plant, modernization for a number of Ukrainian CHP, construction of a gas interconnector between Poland and Ukraine, modernization Shebelynka GPP of JSC «Ukrgezvydobuvannya»);

4) Implementation of pilot social on housing with mortgage lending in Kiev amounting 1 billion USD under the Memorandum of Understanding on cooperation in the construction of affordable housing in Ukraine between the Ministry of Regional Development, Construction and Housing and Chinese state company CITIC Construction Co., Ltd.

The Parties shall maintain and develop cooperation in the innovation, science and technology. Within the framework of Intergovernmental Cooperation, Subcommittee on Scientific and Technical Cooperation, Subcommittee on Cooperation in Space Industry and Subcommittee on Cooperation in the Field of Education. The following areas of cooperation in the field of innovation, scientific and technical activity are identified as the priorities: energy, aviation, shipbuilding, environmental management, development of aerospace, information and communication technologies, as well as the preparation and training of graduate students and young scientists.

The implementation of the third five-year program of cooperation in the space sector (2011-2015) is continued. The fourth program (2016-2020) is being developed.

The analysis of economic exhibitions, fairs and publications testifies that Chinese partners are interested in implementing a series of economic initiatives in investment and innovation (A.Goncharuk, 2016; V.Povoroznik, 2015; E.Yaroshenko, 2015):

1) To develop the «road map» for the implementation of Chinese initiative to create «Silk Road economic belt».

2) To increase in purchases of high-tech products and high technologies.

3) To involve Chinese partners in joint projects in the development and implementation of nanotechnology.

4) To accelerate the implementation of DC «Ukrspekeksport» high-tech contract concluded in 2008.

At the same time, Ukrainian side also has a number of interests, including:

1) Large-scale involvement of direct Chinese investment for investment and innovation projects in Ukraine

2) Creation of joint ventures and production clusters for the production of high-tech products in the field of aerospace, power engineering, automotive; further implementation of projects in the space sector.

3) creation of Ukrainian-Chinese innovation center or industrial park in China.

4) organizing presentations of economic, investment and innovation potential for the regions of Ukraine in China,

5) receipt of grant aid from the Government of China for the implementation of social projects through procurement and delivery to Ukraine of innovative medical and rescue equipment.

**Conclusions, proposals and recommendations.** The intensification and diversification of investment and innovation cooperation between Ukraine and China is promising. Ukraine and China have great potential for further expansion of investment and innovation cooperation, since they have mutual interests in this area.

It is necessary to intensify the work of the Commission for Cooperation between the Government of Ukraine and the Government of China, including the Subcommittee on Trade and Economic Cooperation, Subcommittee on Scientific and Technical Cooperation and the Subcommittee on Cooperation in Space Industry.

It is supposed to create a monitoring mechanism for the investment and innovation cooperation between Ukraine and China, including the ability to resolve the problems of Chinese investors in Ukraine. Such a mechanism should be created in a short time at the level of experts within the framework of the Subcommittee on Trade and Economic Cooperation.

It is required to adopt a management decision on the opening Ukrainian trade and economic missions in China, which should inform potential Chinese investors about the opportunities of economic and investment cooperation with Ukrainian partners and provide information, advice and legal assistance to Ukrainian business structures conducting business in China.

The authorities of Ukraine (especially the Foreign Ministry and Ministry of Economic Development) have to study and propose concrete pragmatic solutions for joining Ukrainian side to the China initiated project «One zone. One way» that will expand the traditional scope of cooperation, ensure greater mutual openness of markets for goods, services and technologies.

Chinese investors, which is not surprising, are actively investing in highly profitable industries. And the interest in cooperation manifests itself even in times of high risk. Thus, Summit (Conference) on investment and innovation cooperation between Ukraine and China, including the exhibition of promising investment and innovation projects would be helpful. This event is advisable to conduct in two rounds (one round in each of the countries). If successful, the said Summit should be conducted annually.

The further increase of cooperation in scientific and educational fields, including academic exchange programs will be useful. The funding for the implementation of the above initiatives should be envisaged in the budget of Ukraine.

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