

UKRAINIAN - CHINESE ECONOMIC PARTNERSHIP AS A FACTOR OF EFFECTIVE ECONOMY DEVELOPMENT AND IT'S PERSPECTIVES

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Abstract. Paper examines the main trends of modern strategy of Ukraine's relations with China as its main partner in trade. Special attention was given to increasing role of China in Ukraine economy and dynamics of economic growth in the eastern country. Ukraine's and China's economic development, its positive and negative trends are reviewed. New ways of increasing the extent of partnership are proposed. Author has made a conclusion, that China is one of the main trade partners of Ukraine, and it ranked 10th place in terms of export shipments and the third highest volume of imports to Ukraine. The most prominent projects of partnership between two countries can help Ukraine to minimize the negative effect of the economic crisis and improve it position on the world markets.

Key words: economic partnership, GDP, trade relations, Ukraine, China, perspectives

1. Introduction

Today Ukraine faces great changes that influence not only political and social life of the country, but also economical one. Important changes that occur in all spheres of life, undeclared war on eastern borders, signing of significant association with EU put Ukrainian leaders in search of new perspective partners. And while Ukraine is developing new and strengthening old ties with European countries, it is necessary to look to the east, to the country, that is leader in the world economy nowadays.

2. Materials and methods

Ukrainian-Chinese relations especially in the field of economics are researched in the works of native and foreign scientists, such as V. Chumak, L. Haydukov, Ho Sybao, A. Honcharuk, O. Ivanchenko, V. Kamensky, I. Kiptsar, S. Nikishenko and D. F. Simon. But however today Ukrainian - Chinese economic partnership must be analyzed in new dimension in the terms of changing economy.

The main goal of the article is analysis of basic tendencies of trade and determination of prospects of Ukrainian-China economic relations development.

Despite all the importance of the EU as a trading partner of Ukraine (its share in foreign trade in goods and services in Ukraine is 29%), one of the most intensive and promising markets for Ukrainian products is China, and in particular the Asia-Pacific region, as a whole, accounting for accounts for more than 12% of total trade. It should be noted that the volume of foreign trade in China, even during the crisis in the world economy in 2009 amounted to 2.2 trillion. Between Ukraine and China in accordance with article 2 of the Agreement on Trade and Economic Cooperation Agreement (signed and entered into force in

1992) is the most favoured in all areas of trade and economic cooperation.

3. The understanding of the economic importance

Economic importance of China for Ukraine is very significant nowadays and it will increase in future. Considerably it is more difficult to promote the economic value of Ukraine for China, in particular because of the serious disbalance between political and economic connections of two countries. Ukraine, which is the export-oriented country, is obliged to use all opportunities of the perspective Chinese market [1, 2].

China is traditionally among the ten largest foreign trade partners of Ukraine. And it is understandable that today Ukraine should apply all forces to gain stable and effective partnership with China.

Chinese Ukrainian trade relations have intensified since 2008 and are growing, for instance various Chinese companies are interested in investing in the construction of a large orbital road around Kiev and in building a number of bridges across the Dnipro River [3].

Beginning of 2011 was characterized by a substantial increase in the development growth of bilateral trade. At that the trend of significant prevalence of Chinese imports over Ukrainian exports to China has renewed.

According to the geographical position, amount and closeness of population, and infrastructure China is able to create all types of productions, with all redistributions, from foods and energy to the microprocessors and space-rocket technique that it successfully does.

The economic achievements China are due to the east type of household, in which entire country economic system moves under the direction of party and government, proving the efficiency to the world [4].

The east type of economy doesn't make market, competition, liberal values or pursuit after an income the main goals of existence as in the west. In China an economy always depends upon the policy of central power and leans against the centralized power, strategic planning, and also on the state and corporate patterns of ownership.

For the east type economy absence of economic classes is a historical characteristic. Domination of the administration and principle of centralized payments (contribution, taxes, and duties) combines with the autonomy of communities and other social corporations when making the decisions of all internal problems [3, 4].

4. The Gross Domestic Product (GDP) in China

The During the past 30 years China's economy has changed from a centrally planned system that was largely closed to international trade to a more market-oriented that has a rapidly growing private sector.

For the Chinese companies traditional issues, collectivism and respect are the tribute to the ancestors, and due to such type of economy China will quickly master new directions in science and highly technological production spheres that will be unprofitable in a short-term prospect with a lot of recourse spending, but it will pay off in long-term calculation and will serve for important aims. Over the past few years the Chinese economy has grown faster than any other economy, including the United States.

The most dynamic sector of the Chinese economy is electronic and electrical industry, which brought China to the world leaders. For example in 2008 the country accounted for 38% of global output of electronic equipment. The largest producers of new products are the Chinese companies "Haier Group" (appliances) and "Huawei Technologies" (production of means of communication). Thus, the current industrial structure of China represents quite different elements of the industrial model of agriculture and post-industrial world with the products of the "new generation". It should be noted that much of the production is consumed by the domestic market, which is the largest in the world, but has very limited low purchasing power of the population [4].

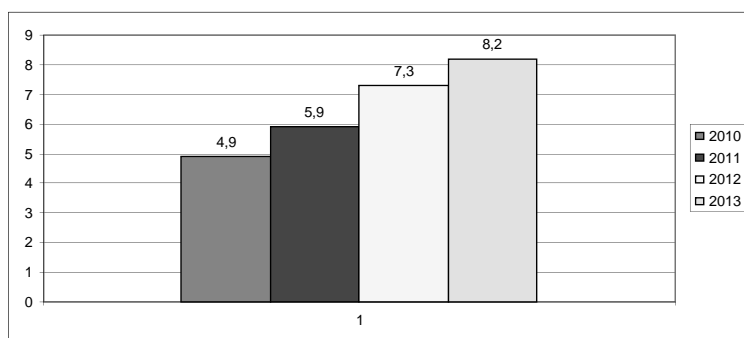


Figure 1. China GDP growth rate in 2010-2013 [10]

The Gross Domestic Product (GDP) in China expanded 2.20 percent in the third quarter of 2013 over the previous quarter. GDP Growth Rate in China is reported by the National Bureau of Statistics of China. In China, the growth rate in GDP measures the change in the seasonally adjusted value of the goods and services produced by the Chinese economy during the quarter. China's economy is the second largest in the world after the United States. A major component supporting China's rapid economic growth has been exports growth.

Today China gives a start to the new policy in industry, foreseeing a transition from extensive expansion of production to intensive development of economy key industries. Large companies are displacing production of old plants and technologies and open new hi-tech productions. Now communist Party of China intends to reduce dependence of country economy on investments and heavy industries [5].

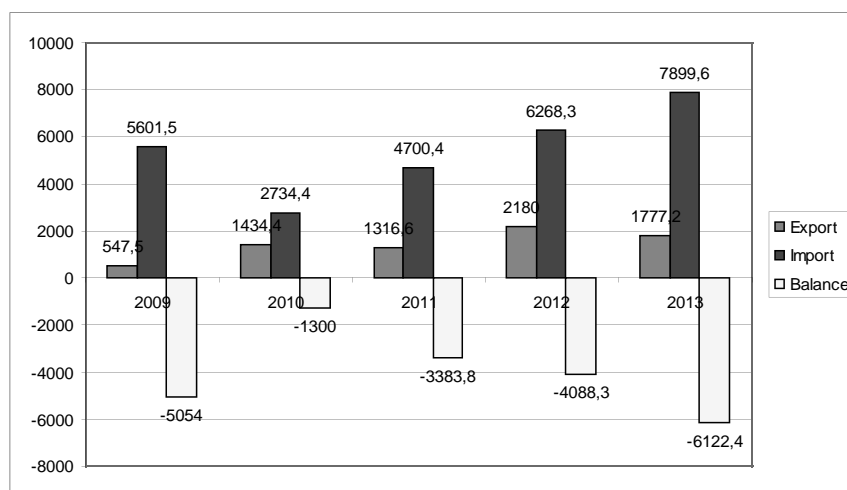


Figure 2. Dynamics of products export-import between Ukraine and China during 2009-2013 [13]

In the future all basic country leverage will be concentrated on innovations in the field of services, management, and on the technologies development. Experts consider that there will be abandonment of the aggressive economy increase program and choosing the economic policy of the new level of high-quality, where the main priority would be not economy growth, but it's restructuring. Slowing down economy increase in the second quarter of 2013 made 7,5% of GDP became one of main reasons of such changes [6].

In China bank and financial sector, after rare exceptions, completely belongs to the state. Today People's Bank of China is the largest in the world by the number of volume assets. Unlike the National Bank of Ukraine, People's Bank of China belongs to the state and submits to it. Also unlike our bank system, People's Bank of China manages money creation, without depending on desires or requirements of IMF.

Dynamics of products export-import between Ukraine and China during 2009-2013 years is shown in Figure 2 and reflects positive trends.

In 2014 the economy is on a gentle downward trend as a new generation of leaders shifts focus

from low - value - added exports and government stimulus to self - sustaining consumer demand. A range of fiscal and social reforms were expected from the Communist Party plenum in late 2014. The government will put money into consumers' pockets through redistributive tax measures and wage increases, and by settling more people in cities. Political leaders will bear down on official corruption and environmental degradation [5, 6, 11].

5. The partnership between China and Ukraine

China is one of the main trade partners of Ukraine, and it ranked 10th place in terms of export shipments and the third highest volume of imports to Ukraine. Among the Post soviet countries Ukraine occupies 3 place in the volume of bilateral trade with China. However, the trade balance is negative for Ukraine. Import goods from China to Ukraine in 2013 increased by 26% (up to 7899.6 USD), exports - fell by 18% (up to 1777.2 thousand USD). The negative balance was -6122.4. It certainly is a negative thing for the Ukrainian economy. The presence of negative balance in trade with China has set Ukraine the task of finding ways to increase the volume of Ukrainian exports [12]. Structure of exports and imports is shown in Figure 3 and 4.

China's interest in the Ukrainian agricultural sector comes from its search for sustainable and long-term food supplies to the Chinese market.

What is more important, that Ukraine and China signed more than 20 strategic agreements about development of trade and investment collaboration. Ukrainian government discussed a strategic collaboration till 2018 with China. In

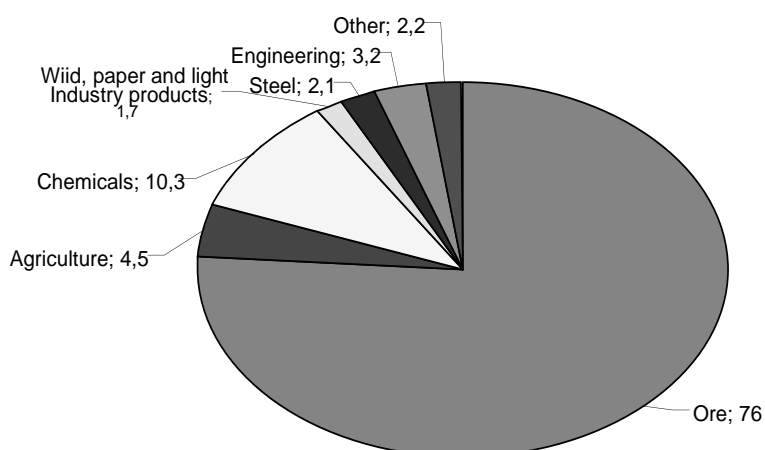


Figure 3. The share of Ukrainian exports to China in 2013, % [13]

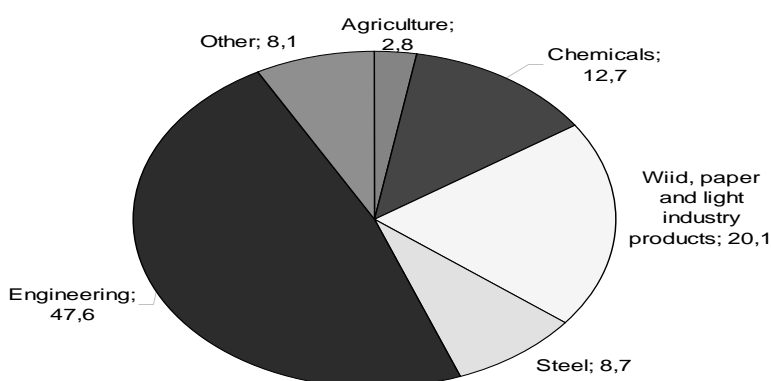


Figure 4. The share of Ukrainian imports to China in 2013, % [13]

the nearest 5 years China intends to import products on more \$10 trillions [8].

The most prominent Chinese-Ukrainian projects that will take place in the next few years are shown on the Figure 5.

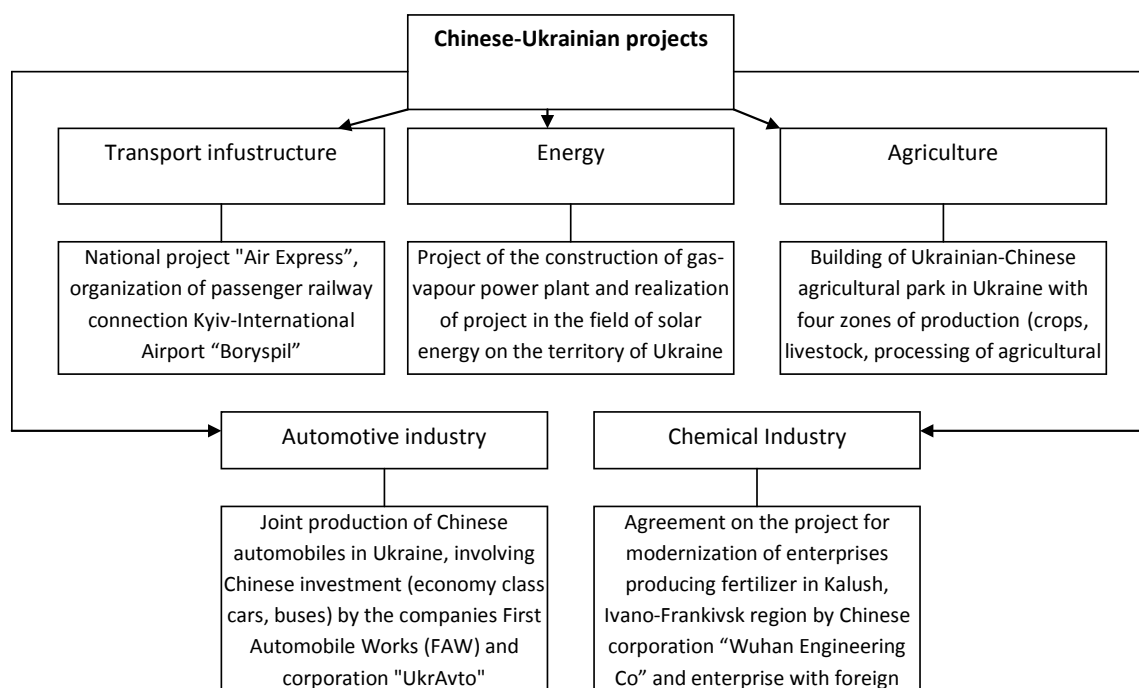


Figure 5. Chinese-Ukrainian projects of the future

6. Results

Promising for further cooperation are mining and metallurgical industries (expansion of steel products supply, the implementation of joint projects, including the exchange of know-how and other technical information), mechanical engineering (expanding supply mining equipment to China, joint ventures with its production using Ukrainian technology), nuclear energy, aviation (creation of medium and heavy transport aircraft, engines and other equipment for the needs of China) and the agrarian sector (exports of cereals, oilseeds and dairy). In summary, it should be noted that in order to further diversify Ukrainian exports to China, as well as access to new markets of EU next steps should be applied:

- introduction at the legislative level of government the program of export support, similar to existing systems in the respective countries that are members of the WTO, the appropriate infrastructure creation;
- improving the mechanism for the VAT return of Ukrainian exporters;
- providing by the National Bank of Ukraine with the best possible commercial banks reduced interest rates for domestic exporters;
- computerization of foreign economic activity through the integrated information system formation that will support economic operators, participation in major exhibitions, business forums and more.

7. Conclusions

Today China is becoming a strategic partner to Ukraine alongside the EU. This will allow significant balancing of the Ukrainian economy and diversifying risks in case of trade complications with EU and WTO.

The impulse from the joint projects with China will allow increasing the pace of the development in the construction area, in the infrastructure modernization; will lead to the growth in the export of agricultural produce.

At the same time, the Ukrainian government must understand that China will demand the fulfilment of additional requirements for the implementation of the projects such as Ukraine's purchase of the Chinese equipment and construction materials to build housing. These risks will be compensated by the general positive effect from the growth

of the economic cooperation with the People's Republic of China.

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