

EXTERNAL ECONOMIC POTENTIAL OF UKRAINE IN THE BLACK SEA REGION

ВНЕШНЕЭКОНОМИЧЕСКИЙ ПОТЕНЦИАЛ УКРАИНЫ В ЧЕРНОМОРСКОМ РЕГИОНЕ

The article deals with the historical background for the creation of the Silk Road. Based on the research conducted the article defines the routes of cargo transportation of the ancient and modern Silk Road and analyzes the background for creation of the "New Economic Belt - The Great Silk Road". This article briefly describes the perspectives of the Silk Road Development Initiative to facilitate the trade and investments to Central Asia and other countries of "The Great Silk Road". The author states that the successful implementation of the project of building the "New Silk Road" will, in some way, even mark the beginning of the new era, the era of active expansion of Asia into young and exuberant Europe. One of the main goals of the "One Belt - One Road" initiative is the development of China's central and western regions. The Chinese initiative is more inwardly-directed than outwardly-directed towards the Chinese economy and Chinese society.

The paper has analysed the background of development of the geo-economical code of Ukraine and has studied the modern trade relationship between Ukraine and China. The author has researched the possibilities of using the potential of Ukraine to implement the conceptual provisions of the project "One Belt, One Road" and has paid much attention to the main goals of this project. Author states that as the potential for economic cooperation between states is closely related to the infrastructure projects, Ukraine should take measures aimed at developing its own infrastructure capacity. The article notes that if China's plan concerning "The Great Silk Road" is successfully implemented (which anticipates China's direct access to Europe through Central Asia and the Caucasus), Ukraine will play a brand new geopolitical role of the "first European country of the Silk Road."

Keywords: the Silk Road, the new Silk Road, transit capacity of territory, "one belt-one road", economic belt.

В рамках статьи рассмотрены исторические предпосылки к созданию Великого шелкового пути. На основе проведенного исследования в статье проанализированы направления грузоперевозок исторического и современного Шелкового пути, а также предпосылки создания «Нового экономического пояса - Великий шелковый путь». В этой статье кратко описываются перспективы Инициативы по развитию Шелкового пути для содействия торговле и инвестициям в Центральной Азии и других странах «Великого шелкового пути». Автор утверждает, что успешная реализация проекта строительства «Нового шелкового пути» ознаменует в какой-то мере даже новую эпоху — эпоху активной экспансии Европы «молодой и полной сил» Азией. Одна из главных целей инициативы «Один пояс — одна дорога» — это развитие центральных и западных регионов Китая. Китайская инициатива направлена не столько вовне, сколько внутрь самой китайской экономики и китайского общества.

В работе анализируются предпосылки развития геоэкономического кода Украины и исследуются современные торговые отношения между Украиной и Китаем. Автором были исследованы возможности использования потенциала Украины для реализации концептуальных положений проекта «Один пояс, один путь», а также уделено значительное внимание главным целям инициативы данного проекта. Автор утверждает, что поскольку потенциал экономического сотрудничества между государствами во многом касается инфраструктурных проектов, Украине следует принимать меры, направленные на развитие собственной инфраструктурной способности. В статье отмечается, что если план Китая касательно «Великого шелкового пути» будет успешно реализован (который предполагает прямой доступ Китая к Европе через Центральную Азию и Кавказ), Украина будет играть совершенно новую геополитическую роль «первой европейской страны Шелкового пути».

Ключевые слова: шелковый путь, новый шелковый путь, транзитность территории, «один пояс-один путь», экономический пояс.

Introduction. The hallmark of the ties between East and West, which dates back centuries, has always been the Silk Road. The emergence of this transcontinental road followed up the trade, cultural and spiritual interaction that existed thousands of years earlier.

Even the first civilizations and early state associations that emerged in Copper Age and Bronze Age sought to expand the territory they already occupied. These are Kritomiken, Egyptian, Mesopotamian, Luristan territories, the territories of the Transcaucasus and the North Caucasus, the territory where lived the people of Namazghinsk in the south of Central Asia, the Harappian Valleys of Indus, and the Yin civilization of China. Trade at this time was carried out on the territory, which stretched for several thousand kilometers. This is evidenced by numerous researches made by scientists [7]. For the first time in the history of mankind, occupying the vast territory from the Mediterranean region to the Pacific Ocean, this route had connected various countries and peoples, connected their material, artistic and spiritual culture. For many centuries they had exchanged ideas, technologies, crafts, and beliefs on this Road.

Setting objectives. The goal of the paper is to define the routes of cargo transportation of the ancient and modern Silk Road, to analyze the background for creation of the "New Economic Belt - The Great Silk Road" and to study the possibilities of using the potential of Ukraine to implement the conceptual provisions of the project "One Belt, One Road".

Methodology. The author used general scientific and special research methods, in particular: method of theoretical generalization, statistical analysis method, method of comparison, logic, analysis and synthesis.

Research results. The Silk Road had several routes that passed through various passes in the chain of mountains avoiding the deserts, but the most famous was the "northern route", it started at Changan, an ancient capital of China and travelled through Lanzhou to Dunhuang, where the road split into two routes [7].

The Northern route started from Yumenguan and went through the northern foothill of Tian Shan mountains through Hotan, Turpan, San Tash Pass, the city of

Suyab (the modern village of Sabzi, Kirghizia), Kulan (Lugovaia village), Uch- Bulak, Taraz, Isfijab (Shymkent, Kazakhstan), Chach (Tashkent, Uzbekistan), Zamin, Samarkand, Bukhara, Amul (Chardzhou, Turkmenistan), Merv (Mary, Turkmenistan), Herat. Then, the route went through Hecatompylos, Ecbatana and Hierapolis and led to the coasts of the Mediterranean Sea. In the Middle Ages, the main route of the Silk Road started from Baghdad.

It is clear that by the end of the eras, a considerable experience of cultural and economic cooperation between the representatives of the Western ancient society had been gained through the cooperation between the merchants from the Middle East and Western Asia with the peoples of Central Asia and Southeast Asia. However, before touching upon the genesis of the Silk Road one should take into account the formation of the communication network in China and the creation of the Far East region as a whole. This process took place when the ties between early Chinese, the nomads of Mongolia and Eastern Turkestan and among the nomads (the Yuezhi, the Wusuns and the Xiongnu, which conquered them later) were established. By the beginning of the reign of the Han dynasty (202 BC), a network of communication routes had been already formed in Eastern and Central Asia. It had occupied a vast territory: from Northern China to the Amur, Baikal, Minusinsk Hollow, Altai, Tien Shan, Pamirs and Tibet.

The Silk Road was primarily the main route for trading. The New Silk Road also serves for the development of trade between the western regions of China and the countries of Central Asia. The near-border SEZs are primarily connected to the same railway roads, like Dostyk, built around the only railway border point at the Kazakh-Chinese border.

Back in 200 BC, the Silk Road was a transcontinental trade route from Asia to Europe, which connected the Roman Empire in the West and China in the East. For several centuries the main section of the Silk Road lay from Chang-gang (modern Xian) to Constantinople. Today, the Silk Road Development Initiative is aimed at facilitating the trade and investments to Central Asia. In close coordination with the governments of China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, this strategy helps this region to become prosperous again. The Silk Road countries have become a region with the high growth rates and investment-flow potential. At the same time, in order to use a wide range of opportunities, the public and private sectors of these countries should deepen their cooperation, demonstrating their willingness to improve the situation in the region.

This will help to satisfy the modern consumer demand that emerged as the result of the globalization of the production of goods and services over the past three decades. The concept of investing in the countries of the Silk Road is seen through the lens of the overall economic situation in the region, its attractiveness for foreign direct investment (FDI), prospects for growth, opportunities for regional cooperation, as well as branding and marketing activities. The Silk Road Development Initiative offers a comprehensive approach to tackle this issue. Every state, which is a part of the Silk

Road, except for China, is landlocked. At the same time, Uzbekistan is also twice land-locked country (there are only two such countries in the world), since neither Uzbekistan itself, nor its neighbors have access to the sea.

The revival of the Silk Road will profoundly change the economies of Central Asia. China will not stop at merely restoring its part of the Silk Road. The project of the restoration of the ancient trade artery requires intensive investments from the Chinese stakeholders in building highways and other infrastructure and transport projects launched in the countries of Central Asia. However, the new Silk Road will not be as significant as an ancient one if it does not reach Rotterdam.

The history of any nation is determined not only by its own material and spiritual resources, but also by its external environment. No nation has ever been and never is completely isolated. Now it's quite clear that even in the early periods, long before the revolution in the means of communication, certain types of interaction between peoples had been inevitable.

Prosperity of the Kievan Rus was the result of the foreign trade. It is worth mentioning that during the early Middle Ages the dynamics of international relations were not like today. The main European nations were being created, but the center of gravity, both political and cultural, was not located in Western or Central Europe but in Byzantium.

Ukraine is a state which occupies the largest territory in Europe and acts as the "geographical factor". It is a so-called marker which defines social development through the conflict between the North and the South, the West and the East. The "geographic fate" of the state is determined by the area of its development which is a multidimensional (geopolitical, mythological, religious, geo-economical, socio-cultural, etc.) communication environment, on the shaky and inflamed borders of which a creative or a destructive energy is formed.

Let us consider the history of the formation of the geo-economical code of Ukraine which is crucial for understanding the nature of modern transformations. In the past, the "geographical factor" played an important role in the rapid expansion of Kievan Rus on the political map of Europe. The economic upswing of Byzantium caused the need to form a new route which was called Trade route from the Varangians to the Greeks. The geographical division of labor intensified not only the specialization in the production of certain goods produced for the external market, but also ensured the functioning of trade links [7].

This required the consolidation of local tribes around a single center. Thus the creation of the great Kiev began. The geographical position of Kiev, which is situated on the border between forest and steppe in the point of convergence of trade river routes from the Upper Dnieper, Pripjat, Berezina, Sozh, Desna, Teterev, where besides the Dnieper route to Tsargrad (trade world center), the route split and went to the Volga and the Don turning the city into a strategic center that controlled the trade of a vast region.

A high level of transit capacity and access to the seas have created favorable conditions for world economic integration. An important step in the economic development strategy of Ukraine is the integration of its national transport and service corridors into the main traffic artery of the international community. This process seems to be more significant given the need to boost general export and import potential of Ukraine taking into account the geopolitically advantageous location of the country, which allows considering its territory as a regional European macro-transit transport and service zone. The geostrategic position of Ukraine allows it to be a commercially advantageous bridge for goods and passengers traffic between the European and Asian countries and the Middle East countries. At this stage, there is no certain strategy for further development of the partnership between China and Ukraine as well as for the practical implementation of agreements that have already been signed. Ukrainian business elite is seeking new opportunities in China, but without state support this will be very difficult, as Ukrainian companies will have to compete with the leading foreign companies supported by the government.

In terms of commodity turnover, Ukraine is ranking third among the trading partner of the PRC in the CIS (after the Russian Federation and Kazakhstan). The People's Republic of China ranks first among Ukraine's trade partners in the Asia-Pacific region (Fig.1).

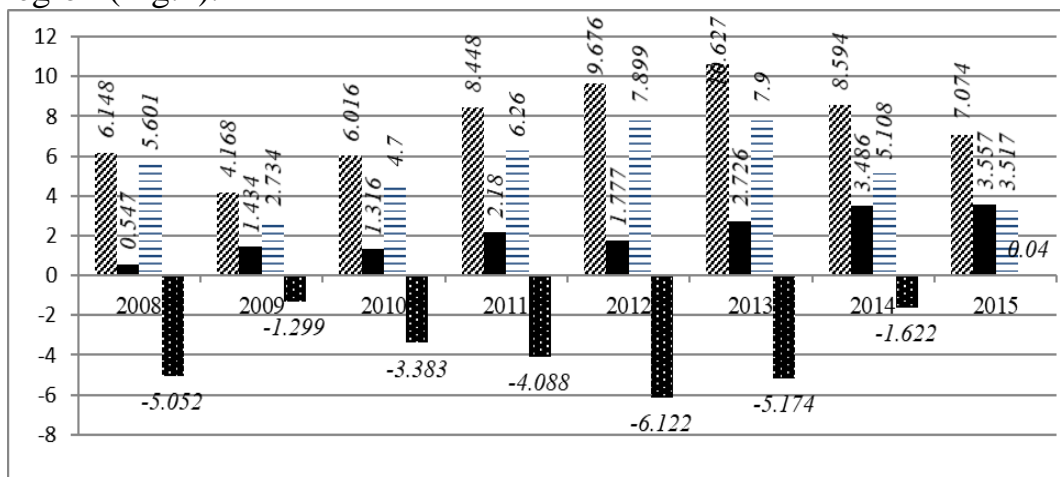


Figure 1 - Foreign trade between Ukraine and PRC, 2008-2015
(billions of US dollars)

Source: [5]

As it shows the figure 1, starting from the year 2013 such indices as commodity turnover, export and import have been gradually decreasing. This is caused by the number of reasons which have to do with economic, military and political instability. This is also caused by the fact that till the year 2012 Russia had been one of the most important trading partners of Ukraine. However, taking into account the latest occurrences, Ukraine had to diversify the lines of export and expand the product range. The author thinks that the decrease in indices analyzed is temporarily.

China is a leader of high-tech products export, so it is no wonder that the PRC prevalently exports to Ukraine mechanical equipment, machinery, and manufacturing equipment – (30.3%).

The large share of the world market of light industry is also accounts for the Chinese producers, and the share of goods produced by the textile industry which are exported from China to Ukraine accounts for 16.1% (Fig. 2).

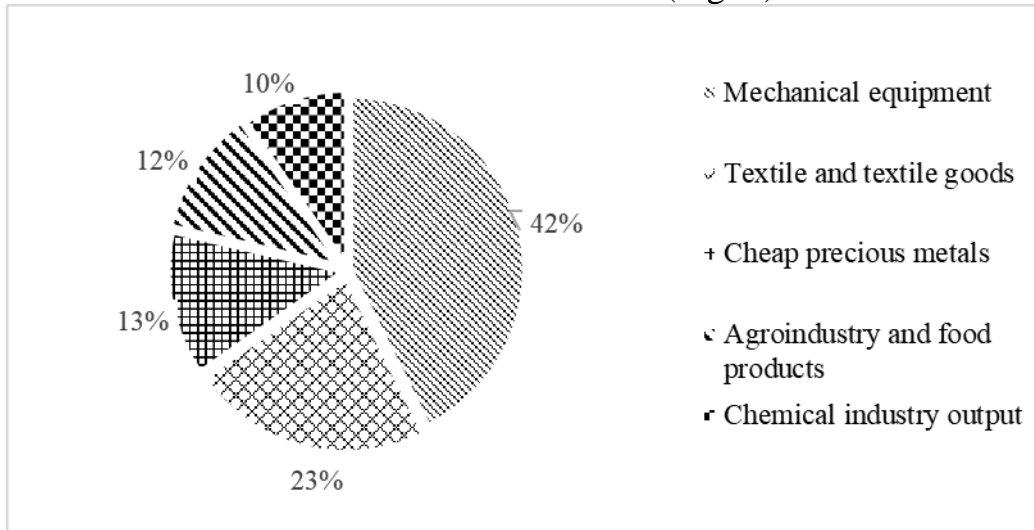


Figure 2 - Commodity structure of import between Ukraine and China in 2015

Source: [8]

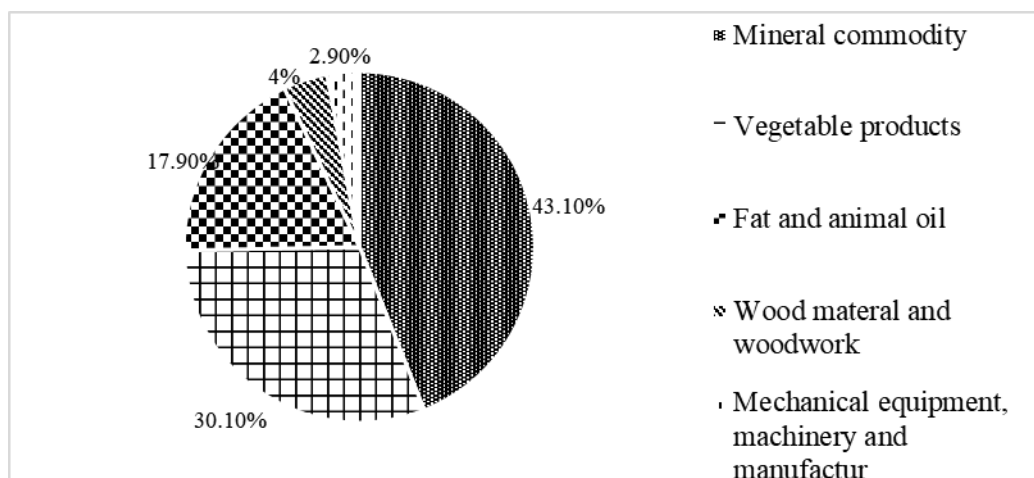


Figure 3 - Export of goods from Ukraine to China in 2015

Source: [8]

Within the structure of Ukraine's export to China in 2015, the largest share accounts for the raw materials like mineral commodities (43.1%) and grain crops – (30.1%). This emphasizes the focus of Ukrainian export on the raw material, which does not allow to impose the added value (Fig. 3).

Taking into account the topic of our research, it is necessary to pay attention to the possible prospects that brings the partnership between Ukraine and the PRC in such a structure-forming field as laying of transport corridors and delivery of Asian goods to the countries of Europe. Not only China, but most Asian countries are

interested in reducing the cost and time for delivering goods from manufacturing countries to the countries with large consumer markets, in particular to the countries of the European Union.

New traffic arteries go through China, Kazakhstan, the Russian Federation, Belarus, Poland, Germany. The travel time is 16-18 days, which is 15 days faster than by sea (Fig. 4).



Figure 4 - The new Silk Road

Source: [10]

Ukraine is willing to actively participate in the expansion of the geography of this transport corridor. This is favored by the geo-economical location of our country, extensive transport infrastructure, vigorous trade and economic ties with neighboring countries and the PRC, and the powerful consumer potential of the domestic market of Ukraine.

Now Ukraine does not take into account the experience of China and the ideas that provide for the use of potential of Ukraine, which could have helped to implement the conceptual provisions of the project "One Belt, One Road" in the sense of re-industrialization, modernization and increase of production efficiency, environment protection and use of logistics capabilities.

The "One Belt, One Road" initiative is aimed primarily at establishing close economic ties between China and western part of Eurasia. In case if Ukraine does not accept this initiative and if there is a lack of practical steps to implement this initiative in the territory of Ukraine, China will have to look for alternative routes that would go through the territory of Russia or Turkey.

In geopolitical terms, China is a committed supporter of European integration of Ukraine and has always defined Ukraine as "an important European state". The government of the PRC encouraged the signing of the Association Agreement between Ukraine and the EU and now considers the attraction of Ukraine to the development of the "New Trading Area - the Great Silk Road", personally suggested by President Xi Jinping. If China's promising plan is successfully implemented (which anticipates

China's direct access to Europe through Central Asia and the Caucasus), Ukraine will play a brand new geopolitical role of the "first European country of the Silk Road."

Thus, Ukraine has a unique opportunity to become the center of the development of the New Trading Area - the Great Silk Road in the Black Sea-Baltic region with the participation of the Baltic countries, the Visegrad Group, Romania, Bulgaria, Belarus, Georgia [5].

The fact that Ukraine does not see itself as an important factor in the relations between Europe and Asia, its insignificant attempts to take its own steps towards the cooperation with Europe and Asia leads to the dependence of Ukraine on its trading partners and make it an arena for competing geo-economical projects. The likelihood of this scenario will depend not only on the actions of the Chinese government, but also on the success of the negotiations between the EU and the US on the creation of a Transatlantic Free Trade Area. In any case, there is a great chance for Ukraine to become (or not to become) an object of other geo-economical projects, without the right to determine its role and priorities [5].

It is worth noting that the "New Economic Belt - the Great Silk Road" project is not so infrastructure and transport oriented as it is seen as a breakthrough in terms of the integration of China into the world economy and ranking first in it. [9].

The Silk Road Economic Belt is made up of the countries which were primarily a part of the classic Silk Road, in particular it lies through the territory of Central and West Asia in the Middle East and Europe and implies that the region will become a coherent economic space which is to be achieved through the development of infrastructure and the expansion of cultural and economic ties [11].

In 2015, the PRC ranked first in the world in terms of GDP and PPP. At the same time being the world's largest exporter of goods it has been ranking first in commodity turnover since 2013 and it keeps possessing vast foreign-currency and gold reserves.

Within the period of the implementation of a five-year plan (since 2011 till 2015), the international trade in services, which previously had not been so developed in China, grew at an average annual growth rate of 14.5%, and now China is outpaced only by the US by this index (when five years earlier it ranked fourth). For these five years, the average annual growth of the outflow of foreign direct investments abroad accounted for 13.1%, as the result, China ranked third in the world by this index [1]. The growth rate of foreign direct investment (FDI) in China itself is ranking first in the world.

The international profile of China is very high due to its impact on world economic growth. These were reforms and policy of openness that afforded the country opportunities for new achievements in international economy. The Chinese government sticks to the principle of taking all the good things created in the world and putting them to work for the prosperity of their country.

Table - Key member countries and main indices of their development

	China	Russia	Mongolia	Kazakhstan	Kirghizia	Azerbaijan	Belarus	Poland	Germany	the Netherlands	Pakistan	Bangladesh	Myanmar	India	Iran
GDP billions of dol.	11064,7	1365,9	11,7	184,4	6,6	53,1	54,6	477,1	3363,5	750,3	271,1	195,1	62,6	208,8	-
Export billions of dol.	2098,2	281,8	4,9	36,8	1,5	10,9	23,3	202,5	1339,7	569,7	20,4	35,0	11,0	264,0	66,0
Import billions of dol.	1587,4	191,4	3,4	25,2	3,9	9,2	27,6	197,3	1054,9	503,4	47,2	41,5	1660,0	359,1	40,0
foreign trade turnover billions of	3685,6	473,2	8,3	62,0	5,5	20,1	50,9	399,8	2394,5	1073,1	67,6	76,5	27,6	623,1	106,0
Land area thousands of square km	9597,0	17075,4	1564,1	2717,3	198,5	86,6	207,6	312,7	357,0	41,5	803,9	144,0	678,5	3287,6	1648,0
Population millions of people	1371,2	144,1	3,0	17,5	6,0	9,7	9,5	38,0	81,7	16,9	188,9	160,1	53,9	1311,1	79,1

Source: [9]

China views the "New Silk Road" project primarily as the way to set up more favorable conditions for the economic and social development of the country. One of the main goals of the "One Belt, One Road" initiative is the development of China's central and western regions. These regions occupy 86% of the country's territory, 58% of the population lives in this territory and only 15% of external commodity turnover and 16% of FDI account for these regions. The project should promote openness and interaction between the eastern, central and western regions, which implies a shift of "openness" out of coastal provinces deep to the inland territories and from the regions along the Yangtze Valley to the inland regions. This stage is very important taking into account the launch of the program for the equalization of living standards in China [2].

Within the framework of this initiative, China has actually committed to invest in the development of infrastructure and resources of countries which lie along the new Silk Road. These should lead to the expansion of multifaceted economic cooperation between China and these countries. A certain level of unification and integration of infrastructures of these countries will open up additional opportunities for Chinese companies to invest in their industry and infrastructure.

The new Silk Road is a large-scale integration project, a complex of routes designed or being already built which include not only roads, but oil and gas pipelines, as well as the sea route from the South China Sea to Europe. The geography of the project goes far beyond the activities of the SCO and covers almost the whole of Asia: Western, Central, Eastern and South-Eastern parts. These territories are home for

60% of the world's population and the rates of GDP accounts for more than one fifth of the world rates. Observers note that the content of the project is of a highly humanitarian nature, and one of the most unexpected consequences of the implementation of this project is the exchange of knowledge, technology and cultural exchange.

Conclusions. In conclusion, the author states that the successful implementation of the project of building the "New Silk Road" will, in some way, even mark the beginning of the new era, the era of active expansion of Asia into young and exuberant Europe. China's national interests, surely, center around its economic development, and therefore party decisions and government policy are quite pragmatic. Thus, one of the main goals of the "One Belt - One Road" initiative is the development of China's central and western regions. That is, the Chinese initiative is more inwardly-directed than outwardly-directed towards the Chinese economy and Chinese society.

The development of relations between Ukraine and China shall be based primarily on economic interest, within the framework of the concept of "soft power" of China and the new Eurasian integration project "One Belt, One Road". Only when the practical and stable Ukrainian-Chinese trade and economic ties are established the political support can be secured. As the potential for economic cooperation between states is closely related to the infrastructure projects, Ukraine should take measures aimed at developing its own infrastructure capacity.

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