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**PROSPECTS OF FREE TRADE WITH CHINA:
DEVELOPMENT OF DOMESTIC EXPORT AND RISKS
OF IMPORT DEPENDENCE**

Development of the trade between Ukraine and China generates serious challenges for the national economy, because, presently, the trade with China accounts for more than a half of Ukraine's negative balance in this country's international trade in goods (56% in January-November 2018). Despite the risks of further deterioration of trade balance, Ukraine has suggested to start consultations on the Ukraine-China free-trade agreement (FTA).

The purpose of the paper is to estimate the possible impact of the liberalization of trade with China and to develop recommendations for raising exports and suppressing China's goods expansion on domestic market. In order to investigate the problem and shape the outlook for domestic exports to China, the following steps have been made: (1) compared the structure of external trade in goods of Ukraine and China; (2) evaluated the trade regimes' symmetry between China and Ukraine; (3) identified the characteristics of China's non-tariff trade regulations; (4) analyzed special ties features of negotiating with China on FTA; (5) analyzed the situation with the development of domestic export to China, and identified prospective markets for domestic goods; and (6) analyzed the dynamics of imports of goods from China during 2004-2018. Also, discussed the groups of import goods that are top items by absolute volume and possess a high share in imports and in local domestic consumption.

Analysis of the structure of trade flows between Ukraine and China showed that the most probable development scenario in the trade with China is the increased orientation of Ukrainian export on raw materials and empowering of Ukraine's dependence on the import of Chinese industrial goods. Probability of this scenario is increasing since the trade regimes of Ukraine and China are asymmetrical, which creates unequal conditions of trade that are more preferable for China. It was found that, even in case of trade liberalization as the result of FTA negotiations between China and Ukraine, Ukraine could not expect sustainable increase in exports of agri-food goods, as China has special non-tariff regulations in domestic agri-food markets.

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Among the core directions of the government policy of supporting the development of agricultural export to China is promotion of corn export in accordance with the credit agreement of 2012 between State Food and Grain Corporation of Ukraine and Export-Import Bank of China, and soybean export promotion with the purpose to substitute US in the Chinese import soybean market, which opened up as a result of US-China trade disputes in 2017-2018. Negative trends in bilateral trade are the reason for active government policy promoting the export of processed goods to China, first of all the products of food industry and optical photographic instruments and apparatus that are of high demand in local Chinese markets.

Import dependence of domestic local market remains high without significant signs of decrease. In 2017, the ratio between import and GDP was the highest for the recent 17 years. During 2013-2017, this ratio increased from 0.51 to 0.56. Dependence of Ukraine's economy on import could increase further as a result of liberalization of the trade with China. Despite the benefits for exporters (mostly exporters of raw goods), cheap Chinese import could delay the renaissance of the domestic light industry that has gradually started after a sharp decline in 2013-2015.

Dynamics of goods import from China during 2004-2018 was analyzed, and discussed groups of goods that are the top import items by absolute volume, possess a high share in imports and in local domestic consumption. The research was conducted on agricultural and agri-food goods, and for 4- and 6- digit codes.

Presence of Chinese goods in domestic market is constantly increasing. In 2002-2003, balance of trade between Ukraine and China was positive, and the share of China's goods in market was below 2%, but, starting from 2005, the trade balance has been always negative with share of Chinese goods increasing to 13% (2018).

Machinery accounted for more than a half of Chinese import in 2018, with machinery, instruments and equipment making the highest share. China is the main exporter of telephone equipment for cellular networks, computers and notebooks, photo-sensitive semi-conductors, light-emitting diodes and other innovative and high technology products. China possesses top positions in imports of household electronics and appliances, light industry goods (shoes, toys, synthetic textiles etc.) and other goods. In 74 out of 178 analyzed 4-digit groups of goods, China's share in import in 2017 was higher than 50%.

From the position of domestic market protection, trade liberalization with China could cause high risks for domestic producers. Assortment of industrial goods that are imported from China is very extensive, hence their expansion in domestic market could be quite significant.

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Key words: People's Republic of China, Free Trade Agreement (FTA), trade regime, export, import dependence, protection of the domestic market

JEL: F13, F14

The development of mutual trade between Ukraine and China creates challenges for the domestic economy in view of the fact that trade with China is responsible for more than one half of the negative trade balance of Ukraine (55% in 2018). Despite the risk of further deterioration of the net trade balance, the Ukrainian side initiated consultations on the establishment of a Ukraine-China free trade agreement (FTA). Therefore, analysis of the possible consequences of establishing an



FTA between Ukraine and China in terms of the prospects of domestic exports to China, on the one hand, and the development of dependence on Chinese imports on the other hand, is an urgent task.

The involvement of Ukraine in initiative of the Government of the People's Republic of China to build a new Silk Road also proves the relevance of research on the assessment of the development of domestic exports to the People's Republic of China (PRC) and the risks of increasing dependence on Chinese imports, as the aim of this initiative is to increase trade flows and stimulate long-term economic growth of all participants.[1]. China launched the Silk Road Economic Belt (SRB) and the 21st Century Maritime Silk Road in 2013. These two initiatives were called Belt and Road Initiative (BRI) and later "One Belt and One Road Initiative" (OBOR).

In 2015, The National Development and Reform Commission of the People's Republic of China (NDRC), Ministry of Foreign Affairs of the People's Republic of China and The Ministry of Commerce of the People's Republic of China (MOFCOM) jointly issued a roadmap (Vision and Actions on the Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. It highlights five cooperation priorities such as: policy coordination (promoting intergovernmental cooperation); facilities connectivity (the improvement of road, energy and information infrastructure); unimpeded trade (the removal of trade and investment barriers); financial integration (the deepening of financial cooperation, the expansion of bilateral currency swap, the creation of new financial institutions); and people-to-people bond (promoting cultural and educational exchanges, strengthening cooperation on tourism and epidemic information sharing,). Cooperation priorities also includes strengthening cooperation in the field of energy and environmental protection [2].

OBOR is expected to consist of a network of ports, roads, railways, airports, power stations, oil and gas pipelines and oil refineries, as well as free trade areas.

China's information resources point out the main benefits China is going to receive from the introduction of the OBOR initiative: digestion of China's excess capacity and labor supply, safeguards for China's energy and food supply [3]. For Ukraine, participation in the OBOR initiative opens the prospect of attracting Chinese investments primarily to infrastructure projects and agriculture and to the inclusion in global value added chains.

While defining the areas of cooperation with China within the framework of the OBOR initiative, it is necessary to take into account the risks of increase of the resource orientation of exports and import dependence of the domestic market of Ukraine. Such studies are extremely relevant due to the contradictory experience of Belarus' cooperation within the framework of OBOR. Indeed, simultaneously with the increase of Chinese investments in the Belarusian economy, exports of goods from China to Belarus are rising; as the result, the average turnover of goods increases by 10-20% annually. This has a negative impact on domestic producers, primarily light industry in Belarus [4].



The purpose of the article is to assess the possible consequences of liberalizing trade regimes with China, to develop recommendations for the development of domestic commodity exports and to prevent the expansion of Chinese goods on the domestic market of Ukraine. In order to study problems and determine perspectives for trade with China, the following steps were taken: (1) the commodity structure of foreign trade between China and Ukraine was compared; (2) the symmetry of the trade regimes of China and Ukraine was assessed; (3) the characteristics of non-tariff regulation of trade by the PRC Government were identified; (4) the characteristics of negotiation style of the Chinese representatives in the negotiations on the establishment of the FTA were analyzed; (5) the estimations of domestic export development to PRC and the identification of prospective markets for domestic products were made; (6) dynamics of the import of Chinese goods during 2004–2018 was studied and the product groups that are the largest in absolute volumes of imports, have a large share in the structure of imports and in domestic consumption were identified.

The comparison of the foreign trade commodity structure of China and Ukraine

The development of bilateral trade between the countries is influenced by the scale of their economy and trade. China is one of the leaders in world trade. In 2017 the country was the largest exporter in the world and the second largest importer of goods in the world (taking into account trade between EU member states – the third one). Foreign trade of Chinese goods is developing dynamically. During 2010–2017, commodity exports from China have increased in average by 5% annually and the average growth of commodity imports during this period reached 4% [5, p. 80–82]. The Chinese commodity export value in 2017 amounted to 2,26 trillion dollars or 12,77% of world commodity exports and commodity import value – 1,84 trillion dollars or 10,22% of world commodity imports. Instead, the share of Ukraine in the world commodity exports in 2017 amounted to 0,24% and in the world commodity imports – 0,27%. Thus, the conditions of trade between Ukraine and China are not symmetric in view of the difference in the scale of the economy and trade.

In the commodity structure of China's exports and imports industrial goods prevail (93,7% in 2016) [6]. In the commodity structure of Ukraine's imports share of industrial products equals to 66,1%, while in the commodity structure of exports share of agricultural products is 44% (according to 2016 data) [7].

The comparison of the commodity structure of foreign trade between Ukraine and China clearly demonstrates their complementarity: China's demand for raw materials can be satisfied at the expense of imports from Ukraine and Ukraine's demand for industrial products can be satisfied at the expense of China. Thus, there are risks of strengthening the raw orientation of domestic exports and increasing import dependence on Chinese industrial goods. These risks increase due to the asymmetry of tariff and non-tariff regimes in Ukraine and China.



The features of customs tariff regulation of the People's Republic of China

The table 1 shows the average rate of tariff protection of Ukraine and China. The average bound tariff (the level at which countries, when joining the WTO, were committed to "bind" their tariffs according to the schedule of tariff reductions) is 5,9% for Ukraine and 10% for China. This means that today when both countries have already fulfilled their obligations to reduce tariffs, China's rate of tariff protection exceeds the rate of tariff protection of Ukraine.

Table 1

The average rate of tariff protection of Ukraine and China

Indicator	Total		Agricultural products		Non-Agricultural products	
	Ukraine	China	Ukraine	China	Ukraine	China
Simple average final bound, %	5,9	10,0	11,0	15,7	5,0	9,1
Simple average MFN applied (2017), %	4,5	9,8	9,2	15,6	3,7	8,8
Trade weighted average (2016), %	2,9	5,2	5,4	11,8	2,7	4,6
Tariff quotas for agriculture products, % <i>tariff lines</i>			0,0	4,5		

Source: Data compiled by the author: China and the WTO. Tariff profile / World Trade Organization. URL: https://www.wto.org/english/res_e/status_e/daily_update_e/tariff_profiles/CN_E.pdf; Ukraine and the WTO. Tariff profile / World Trade Organization. URL: https://www.wto.org/english/res_e/status_e/daily_update_e/tariff_profiles/UA_E.pdf

Moreover, simple average final bound tariff of Ukraine for agricultural products is 11% and China's – 15,7%. The difference between simple average final bound tariff of Ukraine and China for non-agricultural goods is considerable – 5,0 and 9,1% respectively. Moreover, the Chinese agricultural market is protected by tariff quotas which are set for 4,5% of the tariff lines of agricultural products. Ukraine has only one tariff quota for imports of cane sugar with the amount of 267,8 thousand tons at the rate of import duty 2% within the quota.

In 2017 China applied tariff quotas to 47 tariff lines in particular in the group "10: Cereals" for wheat and a mixture of wheat and rye (meslin), corn, rice; in group "11: Products of milling industry; malt; starches; inulin; wheat gluten" to cereal flours other than of wheat or meslin and cereal groats, meal and pellets; in group "17: Sugar and sugar confectionery" to cane or beet sugar; in group "31: Fertilizers"; "51: Wool, fine or coarse animal hair" and "52: Cotton". All tariffs within quota are ad valorem. In most cases, bounded tariffs are applied.

Average weighted (for volume of trade) tariff rates in 2016 in Ukraine were 2,9%, and in China – 5,2%. In particular, in 2016, the difference was in the average weighted tariff rates for agricultural products – 5,4% in Ukraine and 11,8% in China. Average weighted tariff rates for non-agricultural goods in China in 2016 were



also higher – 4,6% versus 2,7% in Ukraine. Thus data in the Table 1 show that the level of tariff protection of Ukraine and China is asymmetric.

A comparative analysis of Ukraine and China's tariff regimes clearly indicates their asymmetry, which creates asymmetric conditions in mutual trade, more beneficial for China. Taking this into consideration, the mutual liberalization of tariff regimes is beneficial for Ukraine. But all the advantages of liberalization of customs tariffs by China can be eliminated by China's non-tariff customs regulations.

The features of China's customs non-tariff regulations

The analysis of China's customs non-tariff regulations is based on China's trade policy reports prepared by the WTO Secretariat [1] and the Government of China in 2018 [5]. In the procedures for accessing the Chinese market the state plays a decisive role and the relevant intergovernmental agreements contribute to the establishment and development of trade with the PRC. All importers should register as foreign trade operators at the MOFCOM or its authorized bodies.

China classifies imports into three categories: unrestricted imports, restricted imports, and prohibited imports.

It should be noted that there are no commitments of the People's Republic of China to cancel prohibitions on imports of individual commodities. Thus, the Protocol on the Accession of the People's Republic of China to the WTO [8] specifies only the obligation of PRC to regularly publish in a special official edition the list of all goods and technologies import or export of which is restricted or prohibited (Section 8 (a) of the above mentioned Protocol). Similarly, the Report of the Working Party on the Accession of the People's Republic of China to the WTO (Section 8 "Quantitative import restrictions, including prohibitions and quotas") [9] does not mention the cancellation of prohibitions and the refusal to impose new prohibitions on imports of individual commodities. At the request of the members of the Working Party on China's accession to the WTO the Chinese representative noted that China prohibits or restricts the import of certain goods, in particular weapons, ammunition and explosives, narcotic drugs, poisons, sexually suggestive materials and foodstuffs, medicines, animals and plants which do not comply with China's technical regulations on food products, medicines, animals and plants.

However, in 2004, a new Foreign Trade Law [10] was adopted by the PRC, which significantly expands the possible list of commodities that may be subject to import restrictions and prohibitions. Article 16 of Foreign Trade Law states that a country may restrict or prohibit the import of individual commodities and technology in order to protect national security, public interests or public morals; the protection of human health or safety, life or health of animals or plants or the environment; restrictions on trade in gold and silver; the establishment or acceleration of the creation of a certain branch of domestic industry; the restriction of agricultural import, livestock products import or fish import in any form; balance of payments status.



As can be seen from the above the PRC is actively pursuing a policy of trade protectionism to protect its own producers and to promote the development of individual industries. International experts believe that at the same time, the PRC violates its WTO commitments. Among such violations they mention the adoption of the Innovation Development Plan for high-tech industries, the so-called new strategic industries, and failure to comply with international standards [11]. China continues to develop its own unique national standards in order to protect its companies from international competition. This policy of China was called "innovative mercantilism" [12].

For unrestricted imports the automated licensing is provided to monitor trade volumes for statistical purposes. In particular, the catalog of goods for which automatic licensing is carried out include commodities that are of interest for domestic exporters – barley and sorghum. Importers can apply for an automatic import license in the commerce departments at different ministerial levels, which issue them on the basis of a properly filed application. Automatic import licenses are valid for six months.

The goods whose import is limited are imported through non-automatic licenses and / or quotas. Products that subject to non-automatic licensing are listed in the import catalog for licensing. In 2015 this catalog included 89 tariff lines at the level of 8 digits of the Harmonized System (HS). There are separate tariff lines of the following commodity groups: 01 Live animals and products; 02 Vegetable products; 03 Fats and vegetable oils; 04 Ready-made food products; 05 Mineral products; 06 Chemicals and articles made therefrom; 07 Plastic and rubber products; 08 Jackets made of leather; 09 Wood and forest products; 10 Cellulose, paper and cardboard; 11 Textiles and clothing; 14 Precious stones and metals; 15 Base metals; 16 Machines and electrotechnical equipment; 17 Transport equipment; 18 Precise materials; 20 Various industrial products. Thus, there are restrictions on the import of individual tariff lines in all groups of agricultural goods.

Prohibited products are listed in the catalog of commodities subject to the prohibition of imports. In 2015 China reported that the list consists of 365 products (eight-digit level HS), which includes mainly machines (section 85) and transport equipment (section 87). The list of imports subject to restriction or prohibition may be adjusted. In addition, the import of goods that are not part of the catalogs restricted or prohibited for commodities import may also be temporarily restricted or prohibited by the appropriate authorities. China's legislation allows, in particular, restricting imports in order to facilitate the creation of a particular domestic industry or accelerate its development.

According to Article 16 of the Foreign Trade Act the import of animal products, plant origin products and fishery products may also be limited if circumstances require. *Consequently, the prospects for the development of domestic agricultural exports in case of Free Trade Area (FTA) establishment with the People's Republic of China is far from clear and will be at threat of imposing prohibitions by the Chinese government.* The relevant commitments accepted by the PRC when joining the WTO are not actually fulfilled.



The peculiarities of procedures for accessing the Chinese market for agricultural products involve the decisive role of intergovernmental agreements. When China joined the WTO it reserved the right to trade grains (as well as tobacco, fuel, minerals) exclusively by the state. Also, state control over the transportation and distribution of these goods within the country is preserved. Foreign enterprises that produce and / or export food products to China should be registered with the General Administration of Customs of China (GACC) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (AQSIQ). In order to apply for registration, enterprises should be recommended to the GACC through the competent authority of the countries (regions) where they are located, or through another "established procedure".

After the loss of markets in the Russian Federation, the Ukrainian government has directed its efforts to obtain access to the markets of the People's Republic of China for domestic producers. On the other hand, since January 1, 2016, terrestrial access to the Chinese markets has been complicated by the deterioration of conditions for the transit of goods through the territory of the Russian Federation and Kazakhstan. At first it caused an extension of traditional routes and correspondingly raised transportation costs. Starting from July 1, 2016 transit conditions became more complicated due to the extension of restrictions on transit through the territory of Kyrgyzstan and the complete ban on the transit of products under the embargo (included in the list of agricultural products, raw materials and food, approved by the Government of the Russian Federation in August 2014 [13]) [14]. Due to the complication of trade relations with the Russian Federation, Ukraine's participation in the development of the so-called the Silk Road Economic Belt (the North landline B according to OBOR initiative) Beijing – Russia – Germany – Northern Europe was rather problematic..

Because of the peculiarities of non-tariff access regimes for China's markets, intergovernmental agreements play a decisive role, the Ministry of Agrarian Policy and Food of Ukraine and the State Service of Ukraine for Food Safety and Consumer Protection are actively negotiating the access of domestic agricultural products to the Chinese market. As a result of these negotiations, the GACC approved the list of 24 Ukrainian enterprises authorized to supply sunflower seeds to the People's Republic of China [15]. The relevant listing is available on the GACC website [16].

In addition, the State Service of Ukraine for Food Safety and Consumer Protection and AQSIQ signed the Protocol of inspection, quarantine and veterinary and sanitary requirements for the export of frozen beef from Ukraine to the People's Republic of China [17]. This means that the PRC recognizes Ukrainian state system *for the safety control of beef production corresponding to Chinese one*. The next step should be the negotiations about the inclusion of Ukrainian beef producers in the register of authorized suppliers of GACC, which may take a long time to implement due to the position of the Chinese side.

Thus, the peculiarity of non-tariff access regimes to China's markets is the complexity of procedures due to the determining role of public authorities in China.

*Features of negotiations on Free Trade Agreement (FTA)
by the Chinese side*

It is also worth considering China's experience in negotiating on FTA with other countries. The most interesting for Ukraine is the experience of establishing FTA between China and Australia. The relevant negotiations lasted for more than ten years and ended in 2014.

Firstly, at the beginning of FTA negotiations the trade between China and Australia, as well as trade between China and Ukraine, was already complementary. China mainly imported from Australia mineral resources, mainly iron ore and agricultural products (as it imports now from Ukraine). China exported to Australia various labor-intensive goods such as textiles, clothing, toys, computers, telecommunication and electrical equipment (as it exports now to Ukraine). Thus, the structures of mutual trade between China and Australia and China and Ukraine are similar.

Secondly, any FTA can have an effect on the growth (creation) of trade when there is an increase in trade flows but their structure remains unchanged and the effect of trade diversification (changes in the structure of trade in goods and / or services). As a result of the FTA between China and Australia trade flows have increased, but the effect of diversification has not happened [18].

Thirdly, the negotiation process on FTA between China and Australia which lasted for more than 10 years and consisted of 21 rounds of negotiations, gave the Chinese and Australian scholars the opportunity to determine the characteristics of negotiations on FTA with Chinese representatives. Chinese researchers emphasize the impact of cultural peculiarities, differences in the economic system, political regime, structure and functions of the institutions responsible for conducting of negotiations and levels of economic development [19]. In addition, Chinese representatives have uncompromising attitude towards opening of markets for agricultural products due to lobbying the interests of their own producers and considerations of food security. Moreover, it is believed that China's desire to maintain a high level of food markets protection for food security reasons is the most serious barrier to advance negotiations on FTA with China [20]. *This fact reduces to nothing the benefits of FTA between Ukraine and China since Ukraine's agrarian sector can become the only beneficiary of this FTA.* There are also problems related to the translation/interpretation, especially during the periods of worsening of the negotiations process, the inviolability of Chinese representatives on the issues about service industries, investments, Government Procurement Agreement [21]. Scientists from the Information Technology and Innovation Foundation in U.S. (who are exploring China's compliance with its commitments to the WTO) point out the seriousness of translation/interpretation problems in trade relations with China [12, p. 3]. It is proposed to even increase funding for the translation of China's strategic documents, in particular those related to the plans of development of the so-called seven strategic and new industrial sectors of China. Despite it's commitments China does not provide timely presentation of WTO notifications with the translation of relevant documents. It is also noted that China still does not report about any



new or revised standards, technical regulations and conformity assessment procedures as required by the WTO rules [12, p. 7].

During the negotiations on FTA between China and Ukraine, it is necessary to understand the complexity and intransigence of Chinese representatives in opening the markets for agricultural products. Moreover, even if Ukrainian representatives are able to improve the conditions for access to the Chinese agricultural market, there is a risk of closing these markets at any moment. According to Article 16 of the Foreign Trade Act of the People's Republic of China the imports of animal products, plant origin products and fish products may be restricted, if the circumstances require.

In addition, during the FTA negotiations with the countries that are exporters of agricultural products, Chinese representatives have agreed to set tariff quotas for import of agricultural products. In particular, tariff quotas on import of agricultural products to China are set in the FTA with Australia and New Zealand. In the FTA with other countries, agricultural products are generally excluded from the liberalization regime. In particular, in the FTA between China and Georgia (2018) the free trade regime excluded solid wheat, soybean, corn, sugar and dried milk [1, p. 35].

Thus, the size of zero tariff quotas for the export of agricultural products will be crucial to the FTA negotiations between Ukraine and China.

Another feature of the FTA of China with agricultural exporting countries is that the agreement contains a section about special agricultural safeguard measures. Such sections are in the FTA with Australia (Article 2.14 of the Agreement) [22] and New Zealand (Article 13 of the Agreement) [23]. Essentially, China may impose an additional safeguard duty on imports of agricultural products if the volume of imports or the price of imported products threatens its domestic market. In particular, in the FTA with Australia special agricultural safeguards protect the markets for beef and dairy products in China that are not subject to tariff quotas. It is obvious that the symmetrical measures that can be defended by the Ukrainian representatives in the negotiations could be the introduction of a safeguard mechanism in individual markets for light industry goods.

In general, the FTA experience between China and Australia shows that the mutual liberalization of trade between countries only increased the raw material orientation of Australian exports to China and increased the volume of Chinese industrial commodity imports to Australia, which increases the risk of implementing this scenario in the FTA of Ukraine with China.

Therefore, FTA with China at the current stage of Ukraine's development is not appropriate. The refusal to start FTA negotiations will not affect the attraction of Chinese investments within the framework of OBOR. Belarus joined OBOR, although it is not a member of the WTO and can not negotiate FTA with China. Since import duties on the majority of commodity markets in the world are rather low, transport costs and non-tariff measures are the main barriers to trade and the OBOR initiative was aimed at overcoming it. In particular, according to the WTO China allocated \$ 1 billion to this organization for the introduction of the Trade Facilitation Agreement (TFA) for developing countries [24]. In Ukraine, the TFA

implementation process started in 2015 which will undoubtedly contribute to the reduction of non-tariff barriers to trade with China under the OBOR initiative.

The prospects for the export of domestic products to China

Taking into account the interest of Ukraine in the development of commodity exports to China, the structure of agricultural and non-agricultural import products to the PRC is presented (Fig. 1).

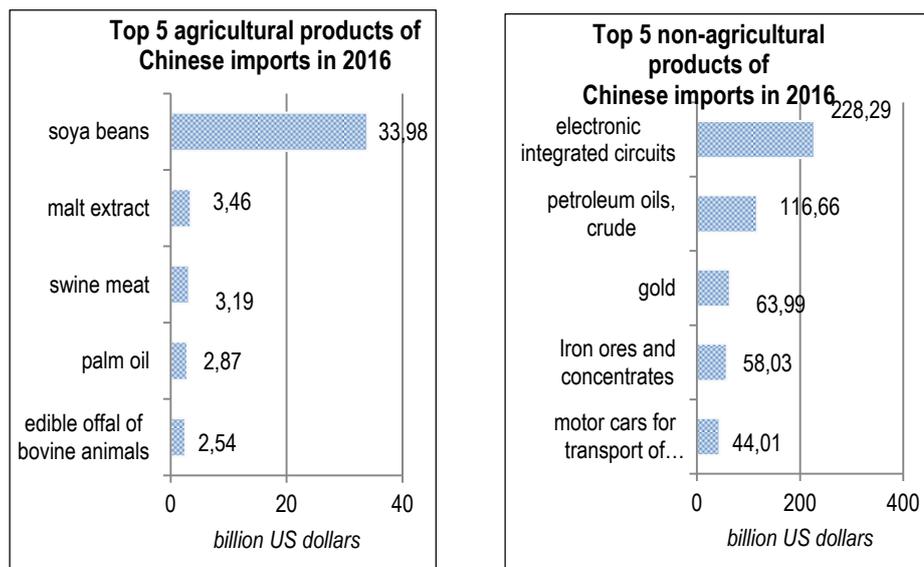


Fig. 1. Top 5 agricultural and non-agricultural products imported to China in 2016, billion US dollars

The Source is based on: Trade Profiles 2018 / World Trade Organization. URL: https://www.wto.org/english/res_e/statis_e/daily_update_e/trade_profiles/CN_e.pdf

The analysis of the structure of agricultural products import in China shows that Ukraine has the prospect of increasing its presence in the Chinese market. First of all, it concerns the soybean market, where Ukraine is a net exporter of soybeans/ As the soybean market was endangered by a trade war between the United States and China, Ukraine may claim to substitute part of the volumes of soybean exports from the United States. In addition, Ukraine has significant potential for export of malt extract, ready-made flour and cereal food to the Chinese market. Promising is the development of pork and edible offal of bovine animals exports. Figure 1 shows data on top 5 industrial imports of China. Among the list of top 5 non-agricultural products of Chinese imports only raw commodity group "Iron Ore and Concentrates" may claim to expand domestic exports.

Thus, the analysis of the commodity structure of China's imports (both agricultural and non-agricultural) confirms the hypothesis that the most likely scenario of export development from Ukraine to the PRC is the growth of raw commodities



and agricultural processing products exports. . Obviously, it is appropriate to focus on these commodities in trade relations with China.

During 2013–2017, the value of domestic commodity exports to the PRC decreased from \$ 2,7 billion to \$ 2,1 billion, that is 22%. During this period imports decreased by 29%. In 2017 the negative balance in trade with China was (-) 3,5 billion dollars (Fig. 2). This happened due to the fact that the rate of decrease in imports was lower than the rate of reduction in exports. The negative balance in trade with the PRC for the period 2013–2017 decreased by 1,7 billion dollars.

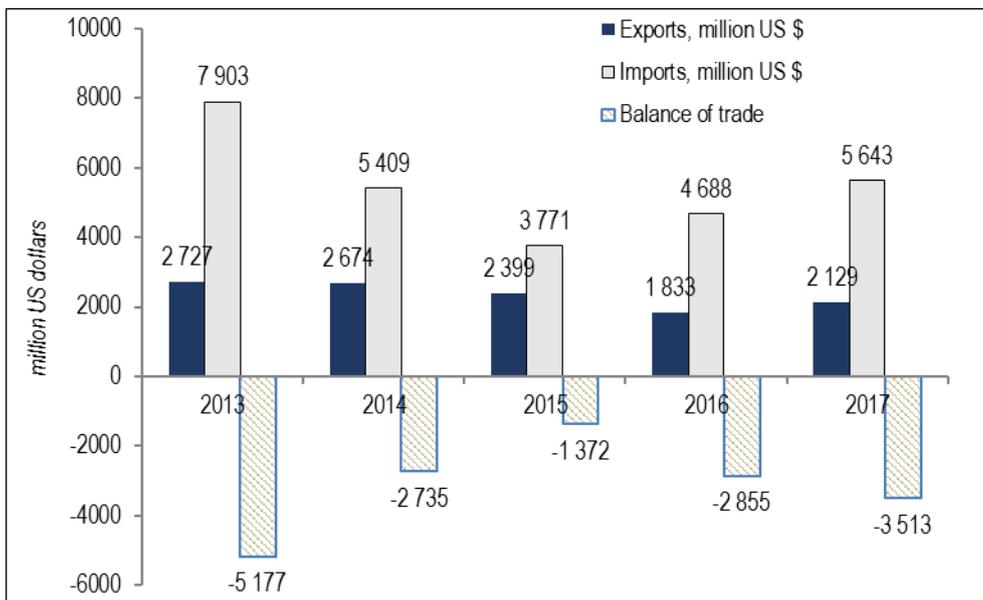


Fig. 2. Foreign trade in goods of Ukraine with China in 2013–2017,
million dollars

The Source: Based on UN Comtrade data base. URL: <http://www.udcsummary.info/php/index.php?lang=uk&pr=Y>

On the basis of the analysis of the structure of commodity exports from Ukraine to China in 2017 up to two HS levels were identified the top 10 export product groups in Ukraine's trade with the PRC (Fig. 3). The fourth position in this ranking is the goods with uncertain code or goods purchased in ports, which can not be analyzed in more details. Their share in commodity exports to China is 8,45%.

The first place in the rating of export goods to China is the commodity group "26: ores, slag and ash" with a share of 32,28% in domestic commodity exports to China in 2017. More than a quarter of domestic exports of goods in this group are exported to China. During 2007–2013, the export of the commodity group "26: ores, slag and ash" has grown rapidly in response to rising demand for raw materials by China's metallurgical capacities and since 2014 it began to decrease and fell to \$ 687,16 million in 2017. Iron ores and concentrates (98% of exports in this commodity group) and minor amounts of titanium and zirconium are exported to the PRC.

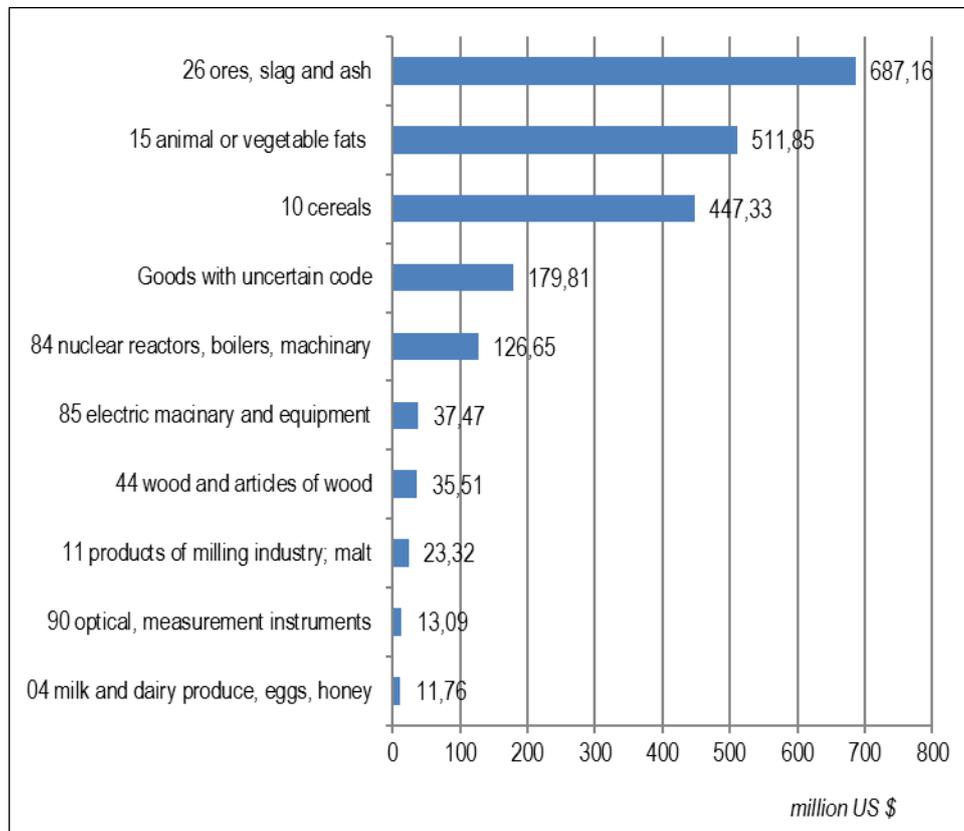


Fig. 3. Top 10 domestic exports commodities to China in 2017, million dollars

The Source: Based on UN Comtrade Data Base. URL: <https://comtrade.un.org/data/>

The second place in the ranking of commodity exports to China from Ukraine is the product group "15: fats and oils of animal or vegetable origin" with a share of 24,04% in Ukraine's commodity exports to China in 2017. In total 11,11% of domestic export of these products were exported to China in 2017. Exports of domestic fats and oils to China began in 2009 and rapidly increased to over \$ 500 million since 2015. Sunflower oil has the largest share (89%) in export value of the oils and fats exported to China in 2017. Soybean oil is a traditional food product in China and has the best prospects for export development, however the share of this commodity in . exports of oils and fats to China is low and was equal to 9.3% in 2017.

Grain crops occupy the third position among the products exported to China, with share of 21%, although China's share of domestic grain exports in titan grain export from Ukraine is negligible – only 6,9%. 72% of domestic grain exports in 2017 consisted of corn export. Also, barley is exported and wheat is exported since 2017.

The export of maize to China has been growing rapidly since 2013 and reached 3,1 million tons in 2015. In the period from 2015 to 2017 the export of maize to



China decreased to 2 million tons due to the complication of relations with Chinese representatives in the framework of the 2012 loan agreement between the State Food and Cereal Corporation of Ukraine and the Export-Import Bank of China. It is obvious that for the restoration and further development of domestic corn export to China it is necessary to regulate relations within the framework of this agreement.

The fifth place in terms of exports to China is the commodity group "84: Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof" with a share of 5,95% of the domestic exports value to China in 2017.

In 2017 China was the second largest export market for Ukraine in the group "84: Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof" with a share of 7,5% in domestic exports to China. On the other hand, China ranked first among the product importers of group 84 in Ukraine with a share of 18,9% products of this group in 2017. The volumes of imports from China of the group 84 since 2003 have grown rapidly and far exceed export volumes: the negative balance of merchandise trade balance in this group amounted to –951,6 million dollars in 2017. 63% of exports of goods in the group 84 provide goods of the subgroup "8411, Turbojets, turbo propellers and other gas turbines". The cost of their exports to China in 2017 amounted to \$ 79,6 million.

In 2017, the products of the following subgroups were also exported: nuclear reactors; non-irradiated fuel elements for nuclear reactors"; isotope separation equipment and devices (\$ 11,74 million), pumps for liquids with or without flowmeters; mechanisms for raising the liquid (\$ 10,2 million), other engines and power plants (\$ 7,75 million) and auxiliary equipment for use with boilers (\$ 2.76 million).

In 2017 export to China of group "84: Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof" has tripled in comparison with the previous year, that is definitely a positive fact.

The eighth place in terms of exports to China is the commodity group "11: Products of the milling industry; malt; starches" Although the share of this group in the volume of domestic exports to China is insignificant (only 1,1% in 2017), 12,8% of the domestic export of products of the milling industry belongs to China. This determines the importance of developing the export of milling products to China.

Exports of milling industry products to China began to increase from 2012 and in 2017 it reached 23,3 million dollars. Mostly wheat flour is exported.

The group "04: Dairy produce; birds' eggs; natural honey" is the tenth largest group of exports to China. Its share in domestic commodity exports to China was only 0,55%, while China's share in total domestic export of this group was 2,38% in 2017. However, the development of export of these products to China is extremely important for improving the structure of agricultural trade in Ukraine where the products of plant origin prevail.

The loss of Russian markets for domestic products of animal origin with a large share of value added is difficult to compensate at the expense of the EU market due



to limited tariff quotas and a complicated certification system for animal products imported into the EU. Therefore, the opening of third countries markets is an extremely urgent task.

In the structure of domestic exports of the group "04: Dairy produce; birds' eggs; natural honey" the subgroup "404: Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter" has the highest share. Ukraine has received permits for the export of dairy products to the People's Republic of China [25]. Therefore it has prospects for increasing exports.

Import dependence of the domestic market on Chinese products

Import dependence of the domestic market remains significant today. According to our calculations in 2017 the ratio between Ukraine's GDP and imports of goods and services was in the range of 0,56 – which is the highest level over the past 17 years. During 2013–2017 there was a clear tendency to increase imports relatively to GDP, when this indicator increased from 0,51 to 0,56. During the crisis in 2015 when the decline in production was the largest, this indicator has not decreased as it has in 2002, 2005 and 2009. Thus, the import dependence of the national economy is increasing, which should be taken into account when formulating trade policy in particular with regard to China.

During 2014–2018 the import of goods from China to Ukraine increased both absolutely and relatively. If in 2014 its volume amounted to 5,4 billion dollars (or 10% of total imports) thus in 2018 it was estimated to be at the level of 7,6 billion dollars (13%). The trend of increasing Chinese imports to Ukraine has a long history, in particular during the period of 2004–2008 the share of the PRC in imports amounted to an average of 5%, during 2009–2013 it was 8%, and during 2014–2018 the share is estimated at the level 11%.

To assess the level of import dependence of the domestic market on Chinese industrial products, it is important to identify groups of goods that: 1) are the largest in absolute terms of imports; 2) have a large relative share in the structure of imports; 3) have a high relative share in domestic consumption.

The Table 2 shows the dynamics of imports of industrial goods from the PRC in the context of large family groups of goods. According to the Table 2 the basis of import is the production of engineering products, metallurgy industry, chemical and consumer goods industries. During 2014–2018 imports from the PRC had a general tendency to increase and imports of engineering products were the fastest growing among the main commodity groups.

Among engineering products (codes according to HS 84 – 91), the largest volumes of imports in 2017 are the following commodity groups: telephone sets for cellular networks (HS code 851712) (\$ 368 million); computers and laptops (847130) (\$ 300 million); photosensitive semiconductor devices, light emitting diodes (854140) (\$ 107 million); devices for receiving, converting and transmitting or restoring voice, images and other information, including switching and routing devices (851762) (\$ 96 million); boilers, heaters, stoves, irons, dryers, etc. (8516) (\$ 83 million); base stations for wireless communication (851761) (\$ 78 million);



antennas for wireless communication (851770) (\$ 69 million); lamps (lighting fixtures) and lighting equipment (9405) (\$ 64 million); hand power tools (8467) (\$ 61 million); air conditioners (8415) (\$ 60 million); switches, fuses, stabilizers, sockets, etc. (8536) (\$ 55 million); TV sets (852872) (\$ 53 million); chargers (850440) (\$ 50 million) [26].

Table 2

**The imports of industrial goods from the PRC to Ukraine
in the context of commodity groups, million dollars**

Commodity groups	2014	2015	2016	2017	2018	2018 to 2014, %
Machines, equipment and mechanisms; electrical equipment	1906	1452	1972	2572	3635	191
Precious metals and articles made therefrom	561	354	476	573	732	131
Products of chemical and related industries	407	362	444	502	613	151
Polymer materials, plastics and articles made therefrom; rubber, rubber and articles made therefrom	478	323	369	407	525	110
Textile materials and textile products	514	330	348	377	483	94
Random industrial goods	356	216	287	338	415	117
Shoes, hats, umbrellas	288	153	158	141	199	69
Ground vehicles, aircraft, floating means	206	93	122	177	276	134
Articles made of stone, gypsum, cement	227	136	160	144	202	89
Optical and photographic instruments and apparatus	91	71	96	137	151	166
Other commodity groups	222	192	154	162	197	88
Total	5256	3683	4587	5531	7429	141

Source: [26], own calculations.

In addition, there were large volumes of imports of spare parts and accessories for computers and laptops (HS code 847330) (\$ 76 million). Thus, it can be stated that the largest volumes of machine-building imports products are telecommunication equipment, computers and home appliances. Although other types of machine-building products were also widely represented in imports from the People's Republic of China.

Within the framework of family groups of goods XV "Non-precious metals and articles made therefrom", the largest volumes of imports in 2017 are the following family groups of goods: "Flat carbon steel rolled, at width 600 mm or more, painted, varnished or coated with plastics" (HS code 721070) (\$ 131 million); "Screws, bolts, nuts ... and similar products made of ferrous metals" (HS code 7318) (\$ 39 million).

Commodity group 72 "Ferrous metals" according to HS is divided into 29 family subgroups of goods with four-digit code. Among these 19 subgroups of trade had a positive balance of foreign trade in 2017, and 10 were negative. Among ferrous metals Ukraine is a net importer of mainly plated rolled products and corrosion-resistant steel. Moreover, the largest volumes of imports belong to the com-



modity group 7210 "Flat carbon steel rolled, at width 600 mm or more, clad, with galvanic or other coating" and in particular its subgroup 721070 "Rolled painted, varnished or covered with plastics". Among the total imports of commodity group 721070 in 2017, at \$ 245 million, imports from China amounted to 131 million dollars, or more than half. Rolled painted, varnished or coated with plastics (721070) is the largest volume of metallurgical products imported from the PRC.

In the import of chemical products and related industries there are two commodity groups: 3808 "Insecticides, rodenticides, fungicides, herbicides..." (\$ 153 million in 2017) and 2933 "Compounds heterocyclic only with a heteroatom (atoms) of nitrogen" (\$ 44 million in 2017). A wide range of other chemical products imported from China is significantly inferior to these two family groups of goods according to volumes.

Commodity group VII "Polymer materials, plastics and articles made therefrom; caoutchouc, rubber and articles made therefrom" according to HS consists of two subgroups: 39 "Plastics, polymer materials and articles made therefrom" and 40 "Caoutchouc, rubber and articles made therefrom". These two family groups of goods account for relatively large volumes of imports from the PRC. In 2014–2018 these two groups exceeded on average over \$ 100 million. In group 39 the largest volumes of imports were recorded for polyethylene terephthalate (390760) which is a raw material for the production of plastic containers (\$ 83 million in 2017). And in group 40 – accordingly for rubber tires and tire casing (4011) (\$ 85 million in 2017).

Light industrial goods occupy a significant place in the import of Chinese industrial goods. China is the leading supplier of these products to the world market, despite strong competition from other countries. Among the largest volumes of goods that are supplied to Ukraine, it should be noted: toys (HS 9503) (\$ 134 million in 2017); footwear (HS 64) (\$ 126 million); textile clothing (HS 62) (\$ 68 million); knitted wear (HS 61) (\$ 56 million); synthetic fabrics (HS 5407) (\$ 55 million).

In the import structure of industrial products a large proportion of Chinese industrial goods especially in relation to the production of machine building (Table 3). The Table 3 represented commodity groups that are characterized by significant import volumes (more than \$ 50 million per year). In almost all of these products China's share of imports exceeds 50%. The exception is only 5 commodity groups: switches, fuses, stabilizers, sockets, etc. (HS 8536); insecticides, rodenticides, fungicides, herbicides (HS 3808); rubber tires and tire casing (HS 4011); knitted wear (HS 61); textile clothing (HS 62).

In total, 178 commodity groups were surveyed according to four-digit HS codes of and it was noted that these products were imported from China. Out of 178 commodity groups 61 commodity groups fell into the categories with import ratio from 1 to 25%; into the categories with import ratio from 26 to 50% – 43 commodity groups; into the category with import share from 51 to 75% – 34 commodity groups; into the categories with import ratio from 76 to 100% – 40 commodity groups.



Table 3

The share of Chinese goods in the import of industrial products (2017), %

Commodity groups	In value terms	Physical quantity
847330 Spare parts and accessories for computers and laptops	73	94
847130 Computers and laptops	94	91
64 Shoes	58	91
8467 Hand tools	64	91
851762 Switching and routing devices for wireless communication	55	90
9503 Tricolor bikes, scooters ... dolls ... other toys	84	89
854140 Sensitive semiconductor devices, light emitting diodes	81	87
851761 Base stations for wireless communication	95	86
9405 Lamps (spotlights) and lighting equipment	69	86
8516 Boilers, heaters, stoves, irons, driers, etc.	38	85
8415 Conditioners	60	82
850440 Chargers	52	78
7318 Screws, bolts, nuts and similar items of iron or steel	46	76
851770 Antenna for wireless communication	62	75
851712 Telephone sets for cellular networks	63	72
721070 Flat carbon steel flat rolled of a width of 600 mm or more, dyed, varnished or coated with plastics	53	62
390760 Polyethylene terephthalate	59	58
852872 TV sets	36	54
5407 Synthetic fabrics	40	51
2933 Compounds heterocyclic only with nitrogen heteroatom	64	50
62 Clothing textile	36	47
61 Knitted wear	30	41
3808 Insecticides, rodenticides, fungicides, herbicides	16	34
4011 Rubber tires and tire casing	25	34
8536 Switches, fuses, stabilizers, sockets, etc.	17	32

Source: [26, 27], own calculations.

Thus, the products from the People's Republic of China dominated imports in 74 commodity groups (41%), in 40 commodity groups (22%) dominating was absolute. In 43 commodity groups (24%) the import ratio was substantial, while in 61 commodity groups (34%) imports from China are inferior to their competitors (mainly from the EU, Russia and Turkey). At the lowest level China's products were represented in the import of boilers, turbines, certain types of agricultural machinery, refrigerators and passenger cars.

The competitive advantage of China's products in the world market is low price. The presence of this factor is clearly noticeable because the physical volumes dominate over the value indicators. Out of 178 commodity groups surveyed, the physical volumes were greater than the value indicators for 146 family groups of goods or 82%.



The important indicator of the domestic market's dependence on Chinese industrial imports is the share of Chinese goods in domestic consumption. It is determined by the volume of production, export and import of a particular product. The calculation of this indicator for all commodity groups is a rather difficult task due to the discrepancy between production and foreign trade statistics and the production information confidentiality according to the Law of Ukraine "On State Statistics". The indicator for individual commodity groups is shown in Table 4.

Table 4 data also indicate a significant presence of Chinese industrial goods on the domestic market of Ukraine. According to all available information about commodity groups which are presented in Table 4 Ukraine is a net importer, furthermore, the quantity of imports exceeds the volumes of domestic production. Taking into account that the part of the output is exported, the presence of imports on the domestic market is significant. Supply from PRC is responsible for the significant part of this, especially in the case of products of machinery-producing industry and manufacturing consumer goods.

Table 4

**The share of imports from China in domestic consumption
for individual commodity groups (2017)**

Commodity groups	Manufacture	Export	Import	Import from the PRC	The share of imports from China in domestic consumption, %
8424 Mechanical devices splashing or spraying liquid and powder substances, <i>thousand pcs.</i>	534	133	929	863	93
847130 Portable automatic data-processing machines, <i>thousand pcs.</i>	8	6	1215	1108	91
851610 Electric water heaters, <i>thousand pcs.</i>	1445	440	1763	1389	79
8715 Baby carriages, <i>thousand pcs.</i>	2	2	134	106	79
851761 Base stations for wireless communication, <i>thousand pcs.</i>	1,3	0,2	10,4	8,9	78
64 Shoes, <i>million pairs</i>	22	13	49	44	76
6201 Coats, short overcoats, capes, raincoats, anoraks (including ski jackets), jackets for men or boys, <i>thousand pcs.</i>	862	662	1187	821	59
6202 Coats, short overcoats, capes, raincoats, anoraks (including ski jackets), jackets for women or girls, <i>thousand pcs.</i>	1107	716	1276	940	56
5407 Fabrics made of synthetic staple fibres, <i>million sq.m.</i>	12	4	260	132	49
3924 Crockery and cutlery, other household articles and products for half bathrooms, made of plastics, <i>thousand pcs.</i>	16	3	9	4	18

Source: [26, 28, 29], own calculations.



According to its natural and climatic conditions, China does not belong to the countries, which have a competitive advantage in agriculture in the world market. However, at the same time China is the largest exporter of fish and seafood, vegetables and certain types of fruits in the world market. Relatively small area of China is suitable for agricultural production, but the labor resources are high and this contributes to the development of intensive vegetable and fruit production. The vast majority of fish in China are also produced by households in inland waters and on continental ocean shelf.

China supplies to Ukraine almost all main positions of its agro-food exports: fish and seafood; fruit and vegetables (Table 5). Amongst the other important import items are feed for farm animals and poultry, food products and tobacco raw materials. In general, the import of agro-food products from China to Ukraine has a tendency to increase.

Table 5

Imports to Ukraine of Chinese agricultural products,
million dollars

Commodity groups	2014	2015	2016	2017	2018
Fish and seafood	38	11	22	26	34
Products used for animal feeding	18	13	14	16	21
Food and flavoring goods (tea, spices, sauces, etc.)	17	11	13	13	15
Fruits and nuts	9	4	5	16	25
Tobacco raw materials	8	13	12	11	11
Vegetable juices and extracts	7	8	7	7	11
Vegetable products	10	8	8	7	7
Sugar and sugar confectionery	5	4	4	4	5
Total	111	72	85	100	129

Source: [26], own calculations.

In general, the import dependence of the domestic food market on Chinese food products is negligible. On the world market China is represented as a powerful exporter of fish and seafood, vegetable products and individual fruits. Among agro-food products, Ukraine has the largest import dependence on fish and fruit. However, these products are mainly supplied to the domestic market of Ukraine by Chinese competitors (fish – Norway, Iceland, EU; fruit – EU, Turkey, South Africa and Egypt). There is more or less significant presence of Chinese goods in some small niche commodity groups: green tea (84% of total imports in 2017), seaweed (64%), soy sauce (47%), canned crustaceans and molluscs (38%), some types of spices, etc.

The reduction of the domestic economy import dependence is directly related to the increase of the production competitiveness, directed mainly to the domestic market. And this is possible only in conditions of moderate competition on the part of import, when this competition does not destroy, but stimulates local producers. Local producers should have access to advanced technologies, high-quality raw



materials, modern equipment and have time to increase to the level of foreign competitors (in particular Chinese) under tariff shelter.

Today, the domestic industry is gradually recovering from the economic crisis due to high exchange rate and expensive imports. Production of synthetic fabrics, stockinet, cotton and knitted goods, footwear, plastic crockery and china ware, tractors, electric lamps and light equipment is increasing. All these goods are still protected by the import tariff, but there is a high probability of substituting by Chinese goods in case of premature trade liberalization.

Conclusions

1. 55% of domestic exports to China are raw materials according to data of 2017, the export of agri-food products (raw materials and processing products) is 46,7%, and instruments and professional equipment is only 8,3%. The result for Ukraine from the trade development with China may include the strengthening of raw export orientation and the strengthening of import dependence on Chinese manufactured goods. The probability of this scenario is increasing due to the asymmetry of tariff regimes of Ukraine and China, that creates unequal conditions in mutual trade, which are more beneficial for China.

2. The prospects of domestic exports of raw agricultural products are primarily related to the development of corn export (according to the 2012 loan agreement between the State Food and Cereal Corporation of Ukraine and the Export-Import Bank of China) and soybeans (especially considering the possibility of replacing soybeans from the USA in the Chinese market that was opened due to trade disputes between the United States and China in 2017–2018).

3. The development of domestic exports of animal products and agricultural primary processing industries is the most promising. The strategy of commercial policy of Ukraine in trade with China should be the transition to export of agro-food products with a greater share of value added, first of all the malt and ready-made meals made from flour and cereals and soya oil. As the welfare of China's population grows, the consumption of dairy products is increasing, therefore Ukrainian producers licensed to export dairy products to China have good prospects. The poultry and egg market is also promising.

4. The development of industrial raw materials export will be determined by the demand of the Chinese metallurgical capacities for ores and concentrates of iron. The export of domestic turbojets, electric motors and generators, semiconductor devices, electric transformers, devices and optical, photographic and medical equipment to China is increasing dynamically. Although, Chinese imports in these product groups exceed domestic exports to China, the Ukrainian manufacturer has found a promising niche in the Chinese market.

5. Over the last 15 years, the import of Chinese goods to Ukraine has increased both absolutely and relatively. In terms of value units in 2018, it is estimated at the level of 13% and in physical units it is much larger. Chinese imports are relatively cheap. Quite possibly it will continue to grow, as promoted by the expansionist



policies of the Chinese government, in particular within the framework of the "One Belt, One Road" initiative.

6. Chinese imports are characterized by a large share of industrial, high-technology goods with a significant ratio of value added. There is also a significant presence in the import of ultimate consumption goods, including well-known world brands. There is a wide range of Chinese imports, especially industrial ones. Chinese industrial products are present in every four-digit commodity group according to HS. The largest volumes of imports are: telecommunication equipment (especially mobile telephones); electronic components (computers); light industrial goods (toys, shoes); ferrous metals (plated carbon steels).

7. During the negotiation process with the Chinese representatives regarding the liberalization of mutual trade, it is necessary to adhere to a number of principles: 1) to reduce the duty on raw materials, equipment, components (as zeroing from the date of entry into force of the FTA) and on the consumer goods (transitional period from three to seven years); 2) to retain priority tariff protection of production that is technologically linked (as suppliers of raw materials) to domestic highly competitive sectors (grain husbandry, oil and fat industry, poultry farming, metallurgy, etc.). For example, production of tractors, pesticides, fertilizers, equipment for the food industry, packaging production, etc. (transitional period from three to ten years); 3) to preserve the protection of production for which the Chinese producers have the most competitive advantages (ready-made clothes, shoes, lamps (spotlights) and light equipment, etc.) (transitional period not less than five years).

8. In case of negotiations on FTA between China and Ukraine, their complex nature and uncompromising position of the Chinese side in opening the markets for agricultural products should be taken into account. In addition, even if Ukrainian representatives are able to improve the conditions for access to the Chinese agricultural market, there is a risk of closing these markets at any moment according to Article 16 of the Foreign Trade Law of the People's Republic of China. The import of products of animal, plant origin and fishery products may be limited if circumstances so require.

9. The size of zero tariff quotas for the export of domestic agricultural products to China will be a key to the FTA negotiations between Ukraine and China. Another feature of the FTA that China concludes with agricultural exporters is that they contain a section on special agricultural safeguard measures. It is obvious that the symmetrical measure that the Ukrainian side can defend in the negotiations is the introduction of a safeguard mechanism in certain markets for light industry goods.

10. Taking into account the high risks of deterioration of the country's trade balance due to the liberalization of trade with the People's Republic of China, the FTA with China at the current stage of Ukraine's development is not appropriate. At the moment, it is expedient for Ukraine to enter into a bilateral in-



vestment agreement with China, which the PRC concludes before the start of negotiations on FTA.

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**ПЕРСПЕКТИВИ ВІЛЬНОЇ ТОРГІВЛІ З КИТАЄМ:
РОЗВИТОК ВІТЧИЗНЯНОГО ЕКСПОРТУ І РИЗИКИ
ІМПОРТОЗАЛЕЖНОСТІ**

Проаналізовано структуру торговельних потоків між Україною і Китаєм і обґрунтовано, що найбільш імовірним сценарієм розвитку торгівлі з КНР є посилення сировинної орієнтації вітчизняного експорту та збільшення імпортозалежності України від китайських промислових товарів. Імовірність такого сценарію зростає з огляду на несиметричність тарифних режимів України та Китаю, що створює нерівні умови у взаємній торгівлі, більш ви-



гідні для Китаю. Встановлено, що навіть у разі лібералізації тарифних режимів у результаті переговорів щодо зони вільної торгівлі між Україною та Китаєм Україна не може розраховувати на стабільне нарощування обсягів експорту агропродовольчої продукції в Китай унаслідок особливостей митного нетарифного регулювання агропродовольчих ринків КНР. Обґрунтовано, що основними напрямками державної політики сприяння розвитку сільськогосподарського експорту в Китай є просування експорту кукурудзи відповідно до кредитної угоди 2012 р. між Державною продовольчо-зерною корпорацією України та Експортно-імпортним банком Китаю та експорту соєвих бобів з огляду на можливість заміщення США на імпортному ринку сої, яка відкрилася у зв'язку із торговельними суперечками між США та Китаєм у 2017–2018 рр. Негативні тенденції у взаємній торгівлі зумовлюють також необхідність активної державної політики просування на ринки Китаю товарів переробної промисловості України, насамперед харчової та приладобудування, які мають попит на ринках КНР.

Обґрунтовано, що імпортозалежність вітчизняного внутрішнього ринку залишається значною без помітних ознак зменшення і може надалі зрости у разі лібералізації торгівлі з КНР. Встановлено, що впродовж останніх 15 років імпорт китайських товарів до України збільшується як абсолютно, так і відносно, і у 2018 р. його вартість становила 13% від загальної вартості імпорту товарів в Україну. Найбільші обсяги імпорту припадають на: телекомунікаційне обладнання (особливо мобільні телефони); електронні вироби (комп'ютери); товари легкої промисловості (іграшки, взуття); чорні метали (плакований прокат з вуглецевої сталі). Китайський дешевий імпорт може загальмувати відродження вітчизняної обробної промисловості, що поступово відбувається після різкого спаду 2013–2015 рр.

Враховуючи високі ризики погіршення торговельного балансу країни внаслідок лібералізації торгівлі з КНР, створення ЗВТ з Китаєм на сучасному етапі розвитку України не є доцільним. Відмова від створення ЗВТ з Китаєм не вплине на залучення китайських інвестицій у рамках ініціативи уряду Китаю "Один пояс, один шлях". Основними бар'єрами у взаємній торгівлі є транспортні витрати, на подолання яких спрямована ця ініціатива, і нетарифні заходи, ефективним інструментом подолання яких є імплементація Угоди про спрощення процедур торгівлі СОТ.

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Ключові слова: *Китайська Народна Республіка, Угода про зону вільної торгівлі (ЗВТ), торговельний режим, експорт, імпортозалежність, захист внутрішнього ринку*



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**ПЕРСПЕКТИВЫ СВОБОДНОЙ ТОРГОВЛИ С КИТАЕМ:
РАЗВИТИЕ ОТЕЧЕСТВЕННОГО ЭКСПОРТА И РИСКИ
ИМПОРТОЗАВИСИМОСТИ**

Развитие торговли между Украиной и Китаем создает вызовы для отечественной экономики ввиду того, что торговля с КНР формирует более половины отрицательного сальдо в торговле Украины товарами со странами мира (56% по данным января–ноября 2018). Несмотря на опасность дальнейшего ухудшения сальдо торгового баланса, украинская сторона выступила с инициативой начать консультации по созданию украинско-китайской зоны свободной торговли (ЗСТ).

Цель статьи заключается в оценке возможных последствий либерализации режимов торговли с Китаем и разработке рекомендаций по развитию экспорта отечественных товаров и сдерживанию экспансии китайских товаров на внутреннем рынке Украины. Для исследования проблем и определения перспектив развития отечественного экспорта в Китай были проведены: (1) сравнение товарной структуры внешней торговли Китая и Украины; (2) оценка симметричности торговых режимов Китая и Украины; (3) выявление особенностей нетарифного регулирования торговли правительством КНР; (4) анализ особенностей проведения переговоров с китайской стороной о создании ЗСТ; (5) оценка состояния развития отечественного экспорта в КНР и определение перспективных рынков для отечественной продукции; (6) исследование динамики импорта китайских товаров в течение 2004–2018 гг. и определение группы товаров, крупнейших по абсолютным объемам импорта и имеющих большой удельный вес в структуре импорта и во внутреннем потреблении.

Анализ структуры торговых потоков между Украиной и Китаем выявил, что наиболее вероятным сценарием развития торговли с КНР является усиление сырьевой ориентации отечественного экспорта и усиление импортозависимости Украины от китайских промышленных товаров. Вероятность такого сценария усиливается ввиду несимметричности тарифных режимов



Украины и Китая, что создает неравные условия взаимной торговли, более выгодные для Китая. Установлено, что даже в случае либерализации тарифных режимов в результате переговоров о зоне свободной торговли между Украиной и Китаем Украина не может рассчитывать на стабильное наращивание объемов экспорта агропродовольственной продукции в Китай вследствие особенностей таможенного нетарифного регулирования агропродовольственных рынков КНР. Основными направлениями государственной политики содействия развитию сельскохозяйственного экспорта в Китай является продвижение экспорта кукурузы в соответствии с кредитным соглашением 2012 г. между Государственной продовольственно-зерновой корпорацией Украины и Экспортно-импортным банком Китая и экспорта соевых бобов с учетом возможности замещения США на импортном рынке сои, которая открылась в связи с торговыми спорами между США и Китаем в 2017–2018 гг. Негативные тенденции во взаимной торговле обуславливают также необходимость активной государственной политики продвижения на рынки Китая товаров перерабатывающей промышленности Украины, прежде всего пищевой и приборостроения, которые пользуются спросом на рынках КНР.

Импортозависимость отечественного внутреннего рынка остается значительной без заметных признаков уменьшения. В 2017 г. соотношение между импортом и ВВП было наибольшим за последние 17 лет. В течение 2013–2017 гг. этот показатель увеличился с 0,51 до 0,56. Зависимость национальной экономики от импорта может вырасти и в дальнейшем в результате либерализации внешней торговли с КНР. Несмотря на выгоды для экспортеров (преимущественно сырьевых товаров), китайский дешевый импорт может затормозить возрождение отечественной обрабатывающей промышленности, которое постепенно происходит после резкого спада 2013–2015 гг.

Была исследована динамика импорта китайских товаров в течение 2004–2018 гг., а также определены группы товаров, которые являются крупнейшими по абсолютным объемам импорта, имеют большой удельный вес в структуре импорта и во внутреннем потреблении. Исследование проводилось для промышленных и агропродовольственных товаров, а также в разрезе 4- и 6-значных кодов товарной номенклатуры УКТВЭД.

Присутствие китайских товаров на отечественном внутреннем рынке неуклонно растет. Если в 2002–2003 гг. сальдо внешней торговли Украины с Китаем было положительным, а доля китайских товаров в импорте пребывала в пределах 2%, то начиная с 2005 г. сальдо стало исключительно отрицательным, а доля китайской продукции в импорте увеличилась до 13% (2018 г.).

Более половины китайского импорта в 2018 г. пришлось на продукцию машиностроения (больше всего – на машины, оборудование и механизмы). Китай является основным импортером на внутренний рынок телефонных аппаратов для сотовых сетей связи; компьютеров и ноутбуков; фоточувстви-



тельных полупроводниковых приборов, светоизлучающих диодов и другой инновационной, наукоемкой продукции. Ведущие позиции занимает КНР в импорте в Украину многих видов бытовой электроники и электротехники, товаров легкой промышленности (обувь, игрушки, синтетические ткани и т.д.) и многих других товаров. Из обследованных 178 товарных групп по 4-значным кодам УКТВЭД в 74-х товарных группах в 2017 г. доля КНР в импорте превышала 50%.

С позиций защиты внутреннего рынка либерализация торговли с Китаем может создать большие риски для отечественного товаропроизводителя. Ассортимент промышленных товаров, импортируемых из КНР, очень широк, поэтому их экспансия на внутреннем рынке может быть достаточно значительной.

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Ключевые слова: *Китайская Народная Республика, Соглашение о зоне свободной торговли (ЗСТ), торговый режим, экспорт, импортозависимость, защита внутреннего рынка*