GLOBAL DOMINANTS FOR THE DEVELOPMENT OF CHINA'S TRADE POLICY: OPPORTUNITIES AND THREATS FOR CO-OPERATION WITH UKRAINE

Part 1. Definitive determinants of China's foreign trade

Urgency of the research. Foreign trade policy has become the main factor in the development of the People's Republic of China as a world trade leader.

Target setting. China's trade policy is controversial, and it is of interest to study its main instruments and mechanisms, the current features of the country's foreign trade and the prospects for the development of trade and economic cooperation with Ukraine.

Actual scientific researches and issues analysis. The works of V. Kiktenko, O. Koval, M. Kovalev, S. Koshyv, V. Mikheyev, O. Olynyk, K. Frend, L. Chen and others are devoted to the questions of economic development of China and its place in the world economy.

Uninvestigated parts of general matter defining. At the theoretical level, insufficient attention has been paid to the issues of modernized China's trade policy, and trade and economic relations, opportunities and threats of cooperation with Ukraine.

The research objective. The purpose of the research is to study the current state of China's foreign trade policy; to identify the peculiarities of the development of foreign trade and cooperation with Ukraine. The cycle of articles is devoted to the study of this problem:

Part 3. Perspective directions of trade and economic cooperation between Ukraine and China.

The statement of basic materials. The PRC ranks first in the World in terms of key trade indicators over the last years, which is largely determined by the country's entry into the World Trade Organization, confirming the undoubtedly high China's role in and influence over international trade.

Conclusions. The growth of China as a leading trading nation has direct consequences for the production and revenue of its trading partners and indirect implications for multilateral trade policy.

Keywords: China; Ukraine; trade and economic cooperation; trade policy; international trade.


Сім світових магістрів, що впливають на торговлю Китаю: можливості та загрози для співпраці з Україною

Частина 1. Визначальні детермінанди розвитку зовнішньої торгівлі Китая

Актуальність теми дослідження. Магістральним чинником розвитку КНР як світового торговельного лідера стала зовнішньоторгова політика.

Постановка проблеми. Торговельна політика Китаю є суперечкою і представляє інтерес дослідження основних її інструментів і механізмів, сучасних особливостей зовнішньої торгівлі країни та перспектив розвитку торговельно-економічної співпраці з Україною.

Аналіз останніх досліджень та публікацій. Питання економічного розвитку Китаю та його місця в світовій економіці присвячені роботі В. Китенка, О. Коваль, М. Ковалев, С. Кошов, В. Міхеєва, О. Олійника, К. Френда, Л. Чен та інших.

Виділення недосліджених частин загальної проблеми. На теоретичному рівні не достатньо уваги приділено питанням модернізованої торговельної політики Китаю та торговельно-економічним відносинам, можливостям і загрозам співпраці з Україною.

Постановка завдання. Метою роботи є дослідження сучасного стану зовнішньоторгової політики Китаю; визначення особливостей розвитку зовнішньої торгівлі та співпраці з Україною. Цикл статей присвячений дослідженню даної проблематики:

Частина 1. Визначальні детермінанди розвитку зовнішньої торгівлі Китаю.

Частина 2. Модернізація торговельної політики Китаю.

Частина 3. Перспективні напрямки торговельно-економічної співпраці України та Китаю.

Виклад основного матеріалу. КНР посідає перше місце в світі за основними торговельними показниками протягом останніх років, що в значній мірі визначено вступом країни до Світової організації торгівлі, що вклав на безумовно високу роль та вплив, який цей країні здійснює у сфері міжнародної торгівлі.

Висновки. Зростання Китаю як провідної торгової нації має безпосередні наслідки для виробництва і доходів його торгових партнерів і непрями наслідки для базатрасторонньої торговельної політики.

Ключові слова: Китай; Україна; торговельно-економічна співпраця; торговельна політика; міжнародна торгівля.
Urgency of the research. The value of the People's Republic of China (PRC) in the modern World economy and the globalized economy is difficult to overestimate. China's foreign trade policy was the main determinant of the formation and development of the country as a world trade leader. It defined the external economic position of the state and became the main factor of the dynamic internal economic reforms and other reforms inside the country. China is one of the key players in modern international trade and is recently ranked first in terms of key trade indicators in the World. Thus, China was ranked first in terms of foreign trade volumes, exports in goods and e-commerce during 2013-2015, second – in terms of imports in goods, third – in terms of exports in services, and second – in terms of imports in services, confirming the undoubtedly high China's role in and influence over international trade.

Target setting. China's trade policy is rather controversial, and it is interest to study its main instruments and mechanisms, the current features of the country's foreign trade and the prospects for the development of trade and economic cooperation with Ukraine. This is due to the fact that, on the one hand, China's foreign trade policy is currently modernizing towards greater liberalization, pluralism and transparency. Protection of national interests converges to the practices of leading countries of the World. The process is characterized by hierarchically lined State and business institutions and takes into account the economic and political interests of stakeholders. On the other hand, the importance of the PRC as a trade partner of Ukraine is increasing. This requires studying the priorities of bilateral trade and economic cooperation, and establishing the link and dependence between national economic growth and exports to China.

Actual scientific researches and issues analysis. The works of I. Burakovsky, I. Guzhva, A. Kireev, P. Krugman, T. Melnyk, V. Sidenko, T. Tsygankova, A. Shnirkova and others are devoted to the problems of international trade policy under the conditions of economic globalization. The ambiguity of socio-economic problems caused by economic liberalization is covered in the works of such researchers, as: L. Antonyuk, O. Bilorus, A. Galchinsky, V. Heyets, I. Guzhva, D. Lukianenko, A. Poruchnik, S. Sidenko, G. Solodkovskaya, Ya. Stolyarchuk, A. Filippenko, V. Chuzhikov and many others. The works of such domestic and foreign researchers as B. Balling, M. Amatey, J. Berger, E. Gobov, A. Goncharuk, Din Rudzhun, A. Kaidal, V. Kitkenko, O. Koval, M. Kovalev, S. Koshovoi, V. Mikhayev, O. Oliynyk, V. Novik, V. Polyakova, E. Preseda, A. Prikhodko, К. Frend, L. Chen, A. Shkarpova, R. Succinate and others are dedicated to the various aspects of China's economic development and its place in global economy.

Uninvestigated parts of general matters defining. Despite numerous studies of different aspects of China's dynamic transformation from a regional leader to the global one and of major factors of the phenomenal growth of its economy, the research of the issues of modernized trade policy and foreign trade of the country, which is decisively influencing the global and regional economy at the level comparable to those of the leading World economies, lacks theoretical grounding. These issues require additional comprehensive research and determined the logics and architectonics of the article.

The research objective. The purpose of the article is, firstly, to study the current state of China's foreign trade policy, in particular, the use of tariff and non-tariff measures of international trade regulation under the conditions of global trade system functioning. Secondly, the issue of identification of main determinants of foreign trade development in China deserves attention. Thirdly, it is interesting to study the peculiarities of trade and economic cooperation between Ukraine and the People's Republic of China and to determine whether there is a relationship between national economic growth and exports to China.

The statement of basic materials. Determinants of China's foreign trade development

China plays an extremely important role in world trade, as it is the main trade partner of leading World economies. After reforming and getting greater openness, the economy of China keeps growing rapidly during 30 years, on average at 10% annually [1]. A number of researchers argue and underline the central place China holds in the global economy in the medium and the long term [2-7].
Exploring China's position in World rankings (Tab. 1), it could be noted that the country holds worthy position, after United States of America. Thus, the PRC occupies the second place in the World in terms of GDP, which was 10.3 USD trillion in 2015 and 11.2 USD trillion in 2016 [8].

However, it should be noted that over the past years (2012-2015), China's GDP has a tendency to increase, but at lowering growth rates, while GDP per capita growth is increasing. The country's ranking in the development of information and communication technologies in the World is rather low, namely 82th place among 167 countries. According to this rating, Ukraine is ahead of China at 3 positions (79th place).

<table>
<thead>
<tr>
<th>China's position in World rankings, 2015</th>
<th>Place in ranking</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranking of countries according to integration of county into international trade</td>
<td>54</td>
<td>4.3</td>
</tr>
<tr>
<td>Ranking of countries and territories according to GDP</td>
<td>2</td>
<td>10 354 832 (USD mln)</td>
</tr>
<tr>
<td>Ranking of countries according to global competitiveness</td>
<td>28</td>
<td>5.0</td>
</tr>
<tr>
<td>Ranking of countries according to innovation index</td>
<td>29</td>
<td>46.6</td>
</tr>
<tr>
<td>Ranking of countries according to index of development of information and communication technologies in the World</td>
<td>82</td>
<td>5.05</td>
</tr>
<tr>
<td>Ranking of countries according index of network readiness</td>
<td>62</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Source: created by the authors on the basis of [9]

The Chinese championship inters of demographic potential and labor resources made the country a "workshop of the World". In addition, China has taken the first place in terms of exports, bypassing the USA, Germany and Japan. China holds 4.0% of special drawing rights with 3.81% of the votes in International Monetary Fund (IMF), ranking sixth in the World after the United States (with 17.68% and 16.74% respectively), Japan (6.56% and 6.23%), Germany (6.12% and 5.81%), Great Britain and France (4.51% and 4.29% respectively). The IMF decision from 30.11.2015 to give the Yuan status of a reserve currency increased China's weight in the global financial system [10].

That is, according to a number of researchers, "the deployment of one of the main global trends – the transfer of a center of economic development from the West to the East, which has all the prerequisites for maintaining its vector in the long run" [11]. The confirmation of this observation is that after the WTO accession, the international reserves of the People's Republic of China increased 14 times from 212.2 billion USD in 2001 up to 3 USD trillion at the end of 2012, and the country's share in the world market increased from 4.3% to 10.4%. The average annual growth of commodity exports was 22%, which increased 4.9 times, and the average annual increase in imports was 21% and its volume increased 4.7 times. Exports to China during this period increased 6 times [12, p. 11-12; 16].

The PRC currently accounts for more than 12% of world exports, which is more than any other country in the World [13]. Nominal exports were growing by an average of 17% each year between 1990 and 2012. This, in turn, contributed to the entry of China into the WTO in 2001 [14]. China accounted for 10% of world imports, and demand for raw materials by Chinese factories has been the driving force behind the growth in supplying countries, including Australia and Brazil. China now accounts for two thirds of Asian imports of intermediate goods, 25% of exports of capital and goods from Japan and Korea, and almost half of regional exports of intermediate goods [15].

On the other hand, China has managed to expand its surplus in trade with developed countries. China's export boom was originally achieved due to cheap goods produced for the less developed countries of the World. According to Goldman Sachs Group, by the end of the decade, the EU-China trade turnover will turn out to be higher than trade flows within the integration group [16].

Currently, China, not the USA, is Germany's most important trade partner [17].

The EU is the largest export market for China (17% of total exports), in turn, China is the second largest export market for the EU (8%), as of 2016. It is also worth mentioning that on the EU request, China expressed its readiness to work together with the EU to reduce positive balance of Chinese goods in trade between the parties [18].
According to the World Bank, China topped 78 place in the ranking for Ease of Doing Business in 2016, with an improvement in this indicator in 2 steps compared with 2015 (Tab. 2) [19].

<table>
<thead>
<tr>
<th>Indicator</th>
<th>DB 2016</th>
<th>DB 2015</th>
<th>Changes in ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Doing Business Rank</td>
<td>78</td>
<td>80</td>
<td>+2</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>127</td>
<td>134</td>
<td>+7</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>177</td>
<td>175</td>
<td>-2</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>97</td>
<td>92</td>
<td>-5</td>
</tr>
<tr>
<td>Registering Property</td>
<td>42</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>62</td>
<td>78</td>
<td>+16</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
<td>123</td>
<td>118</td>
<td>-5</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>131</td>
<td>127</td>
<td>-4</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>96</td>
<td>94</td>
<td>-2</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>5</td>
<td>4</td>
<td>-1</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>53</td>
<td>53</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source:* created by the authors on the basis of [19]

The improvement of country’s positions was based on such indicators as the Starting a Business and Getting Credit. Particular attention deserves the last indicator, with a growth at +16 points. Other indicators have deteriorated in comparison with the previous year. Invariably, property registration and insolvency resolution remained.

Exploring the dynamics of China’s foreign trade in 2012-2015, it can be noted that exports during the analyzed period fluctuated within the range of 2048.8-2342.3 billion USD. In turn, imports increased in 2014, but decreased in 2015. Indicators of foreign trade turnover tend to increase, except for 2015. There is a positive trade balance in 2012-2015 (Tab. 3.)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>2048.8</td>
<td>2209.0</td>
<td>2342.3</td>
<td>2281.8</td>
</tr>
<tr>
<td>Import</td>
<td>1818.1</td>
<td>1949.9</td>
<td>1958.0</td>
<td>1681.6</td>
</tr>
<tr>
<td>Foreign trade turnover</td>
<td>3866.9</td>
<td>4158.9</td>
<td>4300.3</td>
<td>3963.4</td>
</tr>
<tr>
<td>Foreign trade balance</td>
<td>230.7</td>
<td>259.1</td>
<td>384.3</td>
<td>600.2</td>
</tr>
</tbody>
</table>

*Source:* created by the authors on the basis of [20-21]

The study found that the structure of foreign trade of the People’s Republic of China during the period under investigation has undergone serious qualitative changes. The decisive achievement of recent years was to raise the share of finished products in total exports up to 95%, and first of all that of machines and equipment up to 50%. The country has grown from a marginal player in world trade to one of the most important trading country in absolute terms [22]. China has been transformed into a world leader in terms of the export of machinery and equipment, including high-tech and advanced one. The share of mechanical engineering products in the structure of imports which is 43% is also an indicator of the high level achieved by the.

The modern PRC acts as a net exporter of machines, equipment and high-tech goods. The share of exports of traditional goods, which previously formed the profile of the country – toys (1.6%), textiles and knitwear (8.5%), foods (2.8%), is decreasing. Industrial equipment occupies an important place in the export machine-building nomenclature; its value is expanding at a high rate.

Despite the fact that China has a large presence and leading positions in the production of mineral raw materials and fuel, the share of exports of these commodities is negligible. So, in the “Fuel” group, coal and liquefied petroleum are of special importance, while in the “Foods” group, which represents 3% of China’s exports, the main place belongs to sugar, corn, rice, soy, fruits, and tea.
While investigating the import nomenclature of the People's Republic of China, it can be noted that 43% belongs to machinery and equipment, 17% to hydrocarbon fuel, 10% to chemical products, 7.3% to metal ores, 4% to non-ferrous metals, and 1.5% to black metals, other positions account for less than 1%. China imports alumina, ore, iron, manganese, copper, chromium and other metals in large volumes. Despite the fact that China is the world's largest agricultural producer, the country continues to import large quantities of agricultural products, including beverages, tobacco, wheat, wheat flour, soy, corn, rice and edible vegetable oils. Machinery products, primarily cars, mainly freight and commercial, account for a significant share in total import.

Foreign capita provides a significant influence on the development of foreign trade of China. Major investors are Hong Kong, Japan, Singapore, Taiwan, the USA, the Republic of Korea, Germany, the Netherlands, the United Kingdom, and Switzerland, which account for 91% of all FDI. A significant proportion of investment is made by the Chinese diasporas. Also, the growth rates of export of Chinese capital abroad and investments into infrastructure objects of foreign countries are precipitating.

The geographical structure of China's foreign trade changes significantly, the priority belongs to trade with major foreign trade partners, as shown in Table 4. China is often the ultimate link in the value chains of the Southeast Asia countries, which determines the sustained growth of these countries in China's trade turnover [24].

There is a tendency towards the slowdown in the growth of China's commodity turnover with most of its largest partners in 2015, for example, trade with the EU decreased by 8.2%, with Japan – by 10.8%, with the Republic of Korea – by 5.0%. Positive dynamics can be traced in trade with the ASEAN countries and the USA.

Among the importers, the leading role belongs to the EU, USA and ASEAN, including Japan, the Republic of Korea, and Taiwan. China is often the ultimate link in the value chains of the Southeast Asia countries, which determines the sustained growth of these countries in China's trade turnover [24].

Trade with the countries of Africa, which, in turn, is a source of mineral resources and fuel, is characterized by a high growth rate. Trade and economic cooperation is justified, the PRC invests a big proportion of investment is made by the Chinese diasporas. Also, the growth rates of export of Chinese capital abroad and investments into infrastructure objects of foreign countries are precipitating.

The calculation of the main indicators of the foreign trade intensity – the export and import quotas, is simultaneously helps to evaluate the openness of the national economy of China (Tab. 5).

During the period under the review, there was a decrease in import and export quotas, indicating a comparable closeness of the national economy of China with simultaneously minimal import dependence. Per capita exports increased during the period under review, with the exception of 2015, where there was a decrease at 52.9 USD, imports, in turn, decreased over the corresponding period.
Conclusions. China is one of the main players in modern international trade and is ranked first in the World in terms of key trade indicators over the past years. The PRC ranked first in terms of foreign trade, first in terms of exports of goods, the second in terms of imports of goods, the third in exports in services and the second in their import, indicating the undoubtedly high role in and influence that this country has on international trade. The growth of China as a leading trading nation has direct consequences for the production and revenues of its trade partners and indirect implications for multilateral trade policy.

The main difference of China’s foreign trade is the steady growth of positive trade surplus, with the exception for 2015, due to the successful and modernized trade policy of the country. Despite the positive dynamics of China's foreign trade turnover, it should be noted that during the period under consideration it is slowing down. The system of prioritizing of the foreign trade development in China gives the leading role to the export and import nomenclature of goods, as the share of trade in services is much smaller. The change in the structure of foreign trade of China can be considered as a significant achievement of the country, as it has undergone serious qualitative changes. The decisive achievement of recent years was to raise the share of finished products in total exports up to 95%, and first of all that of machines and equipment up to 50%. At the same time, there is a reduction in import and export quotas, indicating a comparable closeness of the national economy of China, while this is simultaneously minimizing import dependence.

Foreign capital has an important influence on the development of foreign trade of China. The main investors are Hong Kong, Japan, Singapore, Taiwan, the USA, the Republic of Korea, Germany, the Netherlands, the United Kingdom, Switzerland, which account for 91% of all foreign direct investment. A significant proportion of investment is made by the Chinese diasporas. Also, the growth rates of export of Chinese capital abroad and investments into infrastructure objects of foreign countries are precipitating.

Significant changes are observed in the geographical structure of China's foreign trade, the priority belongs to trade and economic cooperation with Asia, while the share of the traditional partner Japan has decreased. China is actively increasing its presence in the markets of Africa and Latin America. The main direction of Chinese exports is such countries and territories as the United States of America and the European Union.

China owes its leading position in international trade, firstly, to the entry of the country into the World Trade Organization at the beginning of the 21st century, which had a huge impact on China’s integration into the world economy. Secondly, this position is provided by an effective trade policy of the State that determines the system of national trade interests and priorities, directions, mechanisms and tools for implementing country's foreign trade policy.

### Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Population, billion</th>
<th>Export quota, K exp., %</th>
<th>Import, K imp., %</th>
<th>Export per capita, USD</th>
<th>Import per capita, USD</th>
<th>Foreign trade turnover per capita, USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1.350</td>
<td>23.9</td>
<td>21.2</td>
<td>1517.6</td>
<td>1346.7</td>
<td>2864.3</td>
</tr>
<tr>
<td>2013</td>
<td>1.357</td>
<td>22.9</td>
<td>20.2</td>
<td>1627.9</td>
<td>1436.9</td>
<td>3064.8</td>
</tr>
<tr>
<td>2014</td>
<td>1.364</td>
<td>22.2</td>
<td>18.5</td>
<td>1717.2</td>
<td>1435.5</td>
<td>3152.7</td>
</tr>
<tr>
<td>2015</td>
<td>1.371</td>
<td>20.4</td>
<td>15.0</td>
<td>1664.3</td>
<td>1226.5</td>
<td>2890.8</td>
</tr>
</tbody>
</table>

**Source:** created by the authors on the basis of [8; 21]
ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

removing-a-dad-and-his-family-from-an-overnight-flight/ [in English].

Continuation of articles’ cycle “Global dominents for the development of China’s trade policy: opportunities and threats for co-operation with Ukraine” in next issues:
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