



China's Belt and Road Initiative in the Contested Eastern Neighborhood: A Case Study of Ukraine

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ABSTRACT

In this article I argue that the increasingly three-sided competition for influence – between Russia, China and the West in and over Ukraine – has created a new space for autonomous decision making and can increase Ukraine's own agency when it comes to strategic geopolitical and geo-economic choices in its foreign policy. Relying on competition theory to determine competitive

influence-seeking policies of great powers and strategies of smaller states, I propose a 'smart leadership' strategy for Ukraine, aimed at the management of its status in the Russia-China-West triangle. In the first part of article, I outline Ukraine's national interests. This is followed by a consideration of the geopolitical and geo-economic environment in which Ukraine has operated until recently before I detail the changes in this environment that are related to the increased economic significance that China has assumed for Ukraine. In the second part, I consider what smart leadership would look like if Ukraine were to escape its current dual entrapment of positioning of a small state in the geopolitical competition of great powers.

***The key words:** Belt and Road Initiative, geo-economics, great power, competition, leadership.*

Introduction

China's claims to geopolitical and geo-economic leadership in Greater Eurasia have exacerbated the competition among great powers in the already contested regions of the post-Soviet space and the Western Balkans. Already subjected to an intense tug-of-war between Russia and the West, this is particularly obvious in Ukraine. Interestingly, however, the increasingly three-sided competition for influence – between Russia, China, and the West— has arguably created a new space for autonomous decision making that could increase Ukraine's own agency when it comes to strategic geopolitical and geo-economic choices in its foreign policy.

Ukraine has been in a permanent state of crisis since late 2013 when then President Victor Yanukovich's refusal to sign an Association Agreement with the EU triggered the Euromaidan revolution which led to the ouster of Yanukovich and led to a chain of events that saw Russia annex Crimea and establish two de-facto states in the course of an ongoing war with Ukraine in Donbas (Katchanovski, 2016; Malyarenko & Wolff, 2019). With public opinion in Ukraine consequently turning profoundly against Russia and favoring closer ties, and future membership, in the EU and NATO (KIIS 2020), it seemed that after the eventual signing and entering into force of the Association Agreement between Ukraine and the EU, Ukraine had

firmly and permanently anchored itself in the geopolitical orbit of the West.

In the aftermath of the dramatic events of 2014 and 2015, this was a necessity rather than a choice. However, in the context of China's ambitions to project power and influence through its Belt and Road Initiative (BRI), a new window of geopolitical and geo-economic opportunities has been opened for Ukraine. To be sure, the BRI, and Chinese presence and activities more generally, across the post-Soviet space and into Central and Eastern Europe take many forms and are in no small part driven by China's need to create and sustain viable overland corridors for trade with the EU. Moreover, significant Chinese investment in Ukraine predates the official launch of the BRI in 2013 (Samokhvalov, 2018). However, with the BRI becoming more and more synonymous, in Western perspectives, with China's challenge to an already crumbling liberal international order, the environment for Ukrainian foreign policy making have become both more complex and more open-ended (Wolff, 2021).

The environment has become more complex due to the intensifying rivalry between the United States and China; the increasing alignment of EU and US policy on both China and Russia; and the emerging, and arguably consolidating, strategic cooperation between Russia and China and the regional organizations that they lead, such as the Shanghai Cooperation Organization (SCO) and Eurasian Economic Union (EAEU) (Chatzky & McBride, 2020; Malyarenko & Wolff, 2021; Wolff 2021).

One of the advantages of BRI in this context may be its "maximized flexibility," which helps to strike a balance between China's capacity limits and difficulties in engaging with various jurisdictions and the need to lead the BRI (Wang, 2019). Such flexibility emerges both in institutional and normative dimensions, making it less demanding to the potential partners towards the forms of economic integration and its legal framework. The issue may be a significant competitive advantage compared with the EU and US that traditionally stick

with overloading obligations that extend far beyond mere economic cooperation.

According to the theory of competition, an increase in the number of competitors leads to an aggravation of the struggle among them, but also makes the outcome of the struggle more uncertain (Porter 1998). At the same time, more intense geopolitical competition among great powers expands the window of opportunities for smaller states, which, much like consumers, can shop around for the best offer and/or mix and match what different great power competitors put on the table across different domains, such as trade terms, infrastructure development, foreign direct investment, or defense cooperation (Carafano, 2018; Kassab, 2018).

On the other hand, the intensification of geopolitical competition and the uncertainty of outcome associated with it increase the potential for conflict across the entire region, including the risk of escalation of already existing conflicts. The protracted conflicts in the South Caucasus, in eastern Ukraine, and in Moldova constitute leverage to put pressure on the states affected by them and their actual or potential partners in the great power competition for influence. This leverage, however, has limits, and over-using it may backfire by forcing smaller states to make choices against those who apply this kind of leverage or simply weaken them beyond the point where they are useful partners for any of the competing great powers (Levitsky & Way, 2005; 2006; Beyer & Wolff, 2016).

Ukraine is a tragically good illustration of this dynamic. Thirty years after independence, it remains an endemically weak state. While a generally pro-Western political regime has consolidated its position since 2014, society is deeply divided and the search for a unifying national identity remains a key issue in domestic and foreign policy (Sasse & Lackner, 2018). Closely related, Ukraine's geopolitical ambitions have been gradually decreasing. Aspirations to be a regional leader in Eastern Europe in the 1990s were scaled down to being a regional leader in post-Soviet Eastern

Europe in the 2000s. Today, Ukraine's political elites seem to have resigned themselves to the status of a small state unable to capitalize on the significant size of its population (the eighth-largest country in Europe with around 43m people) and territory (the second-largest country in Europe with just over 600,000 sq km) and therefore struggling to survive amid the competitive influence seeking of rival great powers.

This article argues that this state of affairs need not be permanent. The entry, and increasing assertiveness, of China has created a potential opportunity for change for Ukraine to escape its current entrapment in the competition among great powers. The strategy of both Russia and the West has been to weaken their respective competitor's positions in Ukraine. This, in turn, continues to weaken Ukraine's already fragile institutions and ailing economy. However, to take advantage of multipolarity and to manage the geopolitical competition among great powers for its own benefits, Ukraine also needs to escape the, mostly self-inflicted, trap of its current small-state mentality of its foreign policy. This will require smart leadership: Ukraine needs to carefully define its own national interests and manage its proximity to, or distance from, all regional and global powers in ways that limit their ability to manipulate its domestic and foreign policies while still allowing cooperation on a mutually beneficial basis.

Methodology

This article is primarily a case study research. Its research methodology relies on the textual analysis of documents, official statements and expert observation, including specially commissioned research reports. The process tracing is the main method of data analysis. This article is one of the outcomes of international project "China's Belt and Road Initiative: Implications for the OSCE",

implemented by a group of international scholars ¹ (China's Belt and Road Initiative: Implications for the OSCE). The project participants organized a number of workshops on the different aspects of BRI, conducted under the Chatham House rules. The article accounts data from these workshops. The research outcomes of the project "China's Belt and Road Initiative: Implications for the OSCE" are concluded in 18 specifically commissioned background papers from the country and regional experts, including two papers written by the author of this article. The county reports are built around six questions:

1. What drives the BRI in the subregion?
 2. What has been accomplished so far?
 3. What are the critical risks of BRI implementation in the subregion?
 4. How have local actors reacted?
 5. How do the other main players view the BRI?
 6. How has China responded to local and other actors?
- (China's Belt and Road Initiative: Implications for the OSCE; Wolff, 2021).

The article's analytical framework is derived from competition theory in management studies. It offers a way to think about the strategy and leadership of smaller states which are involved in competitive influence seeking strategies of great powers. The understanding of Ukraine's smart leadership relies on the theory of competition as it implies to geopolitical and geo-economic contest between great powers, with the consideration of more recent changes in the environment that are related to the increased economic significance of China for Ukraine's economy. The article argues that

¹ The project objectives include: mapping the presence of China and its manifestation across Central Asia, the South Caucasus, the Western CIS, and the Western Balkans over time, in particular since the inception of the BRI; identifying the implications that this presence has had in terms of economic, environmental, social, political, and military security in the OSCE area (China's Belt and Road Initiative: Implications for the OSCE).

the national priorities of Ukraine and its strategy in the relationship with great powers are structurally determined by changing character of the geopolitical and geo-economic environment in the Eastern Partnership and changing dynamics within Ukraine. The research and arguments, therefore, take into consideration Ukraine's weak state institutions, its small export-oriented economy, and societal cleavages within the country.

The analysis is structured as follows. First, the article outlines what the author considers Ukraine's national interests. This is followed by a consideration of the geopolitical and geo-economic environment in which Ukraine has operated before I detail the more recent changes in this environment that are related to the increased economic significance that China has assumed for Ukraine. Then, the article considers what smart leadership would look like if Ukraine were to escape its current dual entrapment of positioning of a small state in the geopolitical competition of great powers.

Ukrainian National Interests

Joining NATO and the EU is the main strategic objective for Ukraine and has been enshrined in the country's Constitution (Zakon pro vnesennia zmin do Konstytutsii Ukrainy (shchodo stratehichnoho kursu derzhavy na nabuttia povnopravnogo chlenstva Ukrainy v Yevropeiskomu Soiuzi ta v Orhanizatsii Pivnichnoatlantychnoho dohovoru), 2019) adopted in 07.02.2019. According to the logic of Ukraine's foreign and domestic policies after 2014, security and survival, and not economic well-being, determine the national interests of Ukraine. This is reflected in two key strategy documents: the 2020 National Security Strategy of Ukraine (Ukaz pro rishennia Rady natsionalnoi bezpeky i oborony Ukrainy vid 14 veresnia 2020 roku "Pro Stratehiiu natsionalnoi bezpeky Ukrainy", 2020) and the Economic Strategy 2030 (Natsionalna ekonomichna stratehiia 2030).

The National Security Strategy of Ukraine, which updates the country's previous 2015 conceptualizes Ukraine's national interests

along four broad objectives: the protection of the country's independence and sovereignty; the restoration of its territorial integrity within its internationally recognized borders; European and Euro-Atlantic integration; and human security (Zakon pro vnesennia zmin do Konstytutsii Ukrainy (shchodo stratehichnoho kursu derzhavy na nabuttia povnoppravnoho chlenstva Ukrainy v Yevropeiskomu Soiuzi ta v Orhanizatsii Pivnichnoatlantychnoho dohovoru), 2019). Similar to the 2015 Strategy, the 2020 version identifies Russia as the main military adversary of Ukraine, and as a consequence it prioritizes aspects of hard, national security over human security. Closely mirroring the EU's and NATO's main official policy documents, the first of all, 'Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy' (Global Strategy for the European Union, 2016) and NATO's Comprehensive Approach in the area of security (NATO Comprehensive Approach, 2018), resilience and detention are two of the cornerstones of the National Security Strategy of Ukraine of 2020. Detention is understood as "the development of defense and security capabilities to prevent armed aggression against Ukraine" and resilience is understood as "an ability of society and the state to quickly adapt to changes in the security environment and maintain sustainable functioning, in particular by minimizing external and internal vulnerabilities" (Ukaz pro rishennia Rady natsionalnoi bezpeky i oborony Ukrainy vid 14 veresnia 2020 roku "Pro Stratehiiu natsionalnoi bezpeky Ukrainy", 2020).

In the complementary Economic Strategy 2030 Kyiv also emphasizes security over economic benefits, defining the United States as its main strategic partner despite the fact that Ukraine's trade with the US is relatively insignificant. Ukraine's economic strategy (although it is very liberal) is also security-oriented, since European and Euro-Atlantic integration and the restoration of territorial integrity are also the main priorities of Ukraine's economic policy. In terms of policies that the Economic Strategy focuses on, these

again mirror closely the agenda of Ukraine's Western partners: independence of the National Bank and anti-corruption agencies, the rule of law, and achieving gender equality are the key objectives (Natsionalna ekonomichna stratehiia 2030).

Small States in Great Power Competitive Influence-Seeking Policies

“Small states” is the particular category of states in international relations. Although small states vary in their economic potential, soft and hard power, they face common challenges in the protection of their national interests and security. The common challenges stimulate smaller states to associate for the coordination of their policies in the international organizations, for example, UN and World Bank. In the twentieth century, small states appeared on the map as a result of the world wars and the disintegration of empires. In the twenty-first century, technological innovations, mainly, in the information field, have contributed to the division within the group of small states. Some countries with small territories and populations (for example, Sweden, Finland, and Austria) have consolidated their economic potential and soft power to such an extent that they have become key players in their respective regions. On the contrary, the institutions and economies of some medium-sized countries have weakened to such an extent that they behave like small states in the international arena. Ukraine belongs to this group of countries.

Peter Baehr in “Small States: A Tool for Analysis” (2011) argues, that the criteria for the definition of small states changed since the First World War. Today the size of territory and population is not enough to classify a state as a small state. Put it differently, the information revolution has led to the fact that a state with a small territory and population is able to provide its security, well-being, and play a sound role in international politics. The state capacity, including effective governance, more than the size of territory and

population, determines the belonging of a country to a small state. Adapting to the changed understanding of “small state”, the criteria for defining a small state have also changed. For example, David Vital distinguishes between (a) small states with a population of less than 15 million in the case of economically advanced countries and (b) small states with a population of less than 30 million in the case of underdeveloped countries (Vital, 1971). Robert Rothstein proposes to focus on security dimension for the identification whether a country belongs to the group of “small state”: “A state which recognizes that it cannot obtain security primarily by use of its own capabilities and that it must rely fundamentally on the aid of other states, institutions, processes or developments to do so” (Rothstein, 2014). Reflecting the changes in the role and influence of small states, UN approach to the definition of small state is now based on the number of population (up to 10 million) with the consideration of the performance of economy and state capacity (Thorhallsson, 2012).

The security of small states, especially, smaller weak states, depends on the policies of great powers and relations with them. Security risks for smaller states grow during periods of geopolitical shifts, intensification of competition between great powers, and armed conflict with the participation of great powers. Small weak states, that are not in a military alliance with great powers and/or under the umbrella of military-political alliances, such as NATO are particularly vulnerable – great powers achieve their goals in and via small states, but do not provide them with security guarantees. The optimal security strategy for a small state is a military-political alliance with great power. An alternative way lies through the strengthening of the state capacity of a small weak state so that it can provide its security independently.

Ukraine and Shifting Great Power Dynamics

For over a decade after its independence, Ukraine remained relatively firmly anchored in the post-Soviet space, albeit not without

certain ambiguities. Politically, the country was a founding member of the Commonwealth of Independent States (CIS). Although it never ratified the CIS charter, and can therefore not be considered a member, Ukraine participated in CIS initiatives and statutory bodies. However, it never joined the Collective Security Treaty Organization (CSTO) and instead became a founding member of the GUAM group of former Soviet republics (Georgia, Ukraine, Azerbaijan, and Moldova). Economically, Ukraine joined the CIS Free Trade Area upon its creation in 2011, but not the Eurasian Economic Union (EAEU), citing its 2008 WTO membership as incompatible with EAEU membership.

For about a decade after its independence, Ukraine showed relatively little interest in closer relations with the West, nor did the West appear keen on deepening links either. This began to change gradually with the advent of the EU's European Neighborhood Policy in 2003. Following the Orange Revolution of 2004, then-president Victor Yushchenko indicated a greater interest in closer ties with, and eventual membership in, the EU and NATO. Ukraine joined the Eastern Partnership of the EU in 2009 and started negotiations on an Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA).

These negotiations, after several EU demands on electoral, judicial, and constitutional reforms in Ukraine had been met, seemed to be headed for a successful conclusion with the envisaged signing of the AA at the Vilnius European Council Meeting in November 2013 (Council Conclusions on Ukraine).

In 2014, Ukraine withdrew from all CIS activities and bodies in which it had cooperated until then. Russia suspended the application to Ukraine of the CIS Free Trade Agreement in late 2015, while Ukraine imposed trade restrictions on Russia in early 2016. The EU and US have also imposed several rounds of sanctions on Russia beginning in 2014 after the annexation of Crimea (EU Sanctions Map, 2021; Ukraine and Russia Sanctions).

From a geo-economic perspective, this resulted in a sharp and absolute decline in Russian-Ukrainian trade. While Ukrainian trade between 2013 and 2015 generally decreased with all of its top trading partners, for Russia, this trend continued for another year, and after a slight recovery between 2016 and 2018, trade fell again in 2019 and stood at only 30% of the trade volume on 2011 (the highest level following the 2008 financial crisis). By contrast, trade with the EU saw a sharp drop as well between 2013 and 2015 but steadily recovered by 2019 to 2011 levels (UN Comtrade Database, 2021). Trade between China and Ukraine also fell from its post-2008 high in 2013 for three years until 2016, but has since steadily recovered and as of 2019 exceeded Ukraine's annual trade volume with Russia, thus making China Ukraine's main individual trading partner, although still far behind combined trade with the EU (UN Comtrade Database, 2021).

Thus, by the time the AA between Ukraine and the EU entered into force in 2017, the competitive influence seeking in Ukraine by Russia and the West had led to a fundamental deterioration of relations between Russia and Ukraine and between Russia and the West. Tensions between the sides reached levels unseen since the Cold War, and extended beyond Ukraine, with Russia trying to reassert its former great power status elsewhere, including in Syria and Libya (Mearsheimer, 2014; Malyarenko & Wolff, 2018).

Consequently, the trend that began in 2013 has continued and Ukraine's position in the Western 'orbit' has been consolidated. Politically, Ukrainian public and elite opinions remain committed to integration in Euro-Atlantic structures. According to opinion poll conducted by Kyiv International Institute of Sociology in October 2020, 41% of respondents believe that Ukraine has to be a NATO member state whereas 37,1% prefer its neutral status and other 13% prefer Ukraine to be a part of military union with Russia (KIIS, 2020). Economically, trade with the EU dwarfs trade with Russia and China: in 2019, EU-Ukraine trade was more than double that

of Ukraine-Russia and Ukraine-China trade combined (\$4.9bn compared to \$2.3bn) (UN Comtrade Database, 2021).

To Crash the Gate: China as Ukraine's First Trade Partner

In 2013-2020 the significance of China as Ukraine's economic partner increased. In 2019, China was the main trade partner of Ukraine with USD 12,79 billion of Ukraine's foreign trade, followed by Russia (USD 10,23 billion). In 2020, Ukraine's trade with China was USD 15,4 billion. During the last few years, Ukraine's exports to China increased rapidly (for example, the growth was about 63% in 2019; and 100% in 2020) comparing to +1,2% of the growth of Ukraine's export to Poland and -11,2% to Russia in 2019 and -0,7% to Poland and -16,9% to Russia in 2020 accordingly. In 2021, the position of China as Ukraine's first trade partner has consolidated (UN Comtrade Database, 2021).

The breadth of China into Ukraine's economic agenda is the result of a number of processes, concluded in the shift in the balance of geopolitical and geo-economic influence of great powers in Ukraine.

First, the victory of the Euromaidan revolution in 2014 has weakened the position of Russia, and, simultaneously consolidated the West's influence. Both Russia and Ukraine have limited their transit space for each other. The countries cut their linkages to prevent the usage of them as an economic weapon. In addition, Belarus (with its Russia- and China-friendly political regime) replaced Ukraine in the land and air transit routes from China, Central Asia and Russia to the EU. The start of Nordstream and Turkstream contribute to the decline of the Russian natural gas transit through the Ukrainian territory.

Thus, in the period 2014-2016, Ukraine's export-import operations with Russia decreased 35-40% annually. In the period 2017-2020, the trade decreased 10-12% annually (UN Comtrade Database, 2021). However, the Ukrainian trade with the EU has the limits. The import from the EU member states to Ukraine is limited

by the low purchasing capacity of the local customers in Ukraine. The Association Agreement with the EU in the part of free trade zone with Ukraine contains direct protective measures towards the Ukrainian exports to the EU, including quotas for agricultural goods. Direct protective measures are supplemented by indirect barriers against cheaper goods and services from Ukraine, established by some EU member states, for example, Poland.

Second, in 2013 China started its BRI project aimed to link China with the EU through the New Eurasian Land Bridge Economic Corridor and facilitate “the establishment and strengthening partnerships among the countries along the Belt and Road” (Belt and Road Initiative, 2013). From the very beginning of its Belt and Road Initiative project, China pays serious efforts to engage Ukraine into the project’s network.

Today, the system of factors and actors that impacts the regional security complex in the Eastern Partnership generally and Ukraine particularly has transformed from a bipolar geopolitical competition between the West and Russia to a more complex multipolarity model where at least four great powers (the USA, the EU, Russia, and China) are implementing their competitive influence seeking strategies (Kemoklidze and Wolff, 2020). In 2014, the competition of great powers triggered the Russian-Ukrainian undeclared war. Since then, the low-intensity conflict in eastern Ukraine and tactics of managed escalation-de-escalation, implemented by Russia towards Ukraine determined the priority of security over economic development in Ukrainian foreign and domestic policy. As a consequence, in the area of economy, Ukraine has cemented a resource curse. Ukrainian exports consist primarily of agricultural products (cereals, vegetable oils, and animal fodder) and raw materials (ores, iron and steel, and wood), both of which combined have made up around 90% of all Ukrainian exports to China since 2013. Particularly noteworthy is that the share in agricultural products has increased from less than 10% in 2010 to over 50% in 2019. In absolute terms, its value has been greater

than that of raw material exports since 2016 and growth rates remain significant. This has been facilitated by a Chinese investment of \$75m in the construction of the grain terminal and logistical network in Mykolaiv which closes the production-logistical cycle of the supply of grains to China, thereby minimizing the risks from domestic instability and corruption in Ukraine (Kitajskij investor otkryl novyj zernovoj terminal v Nikolaevskoj oblasti, 2016; UN Comtrade Database, 2021; Malyarenko & Wolff, 2021). Once agricultural land can be privatized in Ukraine from July 2021, additional investment from Chinese state-owned and state-supported companies can be expected and is likely to result in further growth of exports of agricultural products from Ukraine to China). Another of China's economic interests in Ukraine concerns the energy sector. Here, China invested in solar power production, a rapidly developing industry that is supported by the Ukrainian state through tax privileges. Chinese investment of \$250m to date is still relatively modest but reflects risks for investments in Ukraine, rather than lack of interest (Malyarenko & Wolff, 2021). Additionally, certain Chinese investments fall in the context of government-coordinated policies of the acquisition of high-tech companies (Dudas & Rajnoha, 2020). At least some Ukrainian double-purpose and military technologies are within the Chinese interest.

Since Russia's economic ties with Ukraine weakened, China has been gradually increasing its ambition to be the main economic and geo-economic actor in the country. Ukraine's trade with China partly replaces the trade with Russia and Ukraine's own production.

The current strategy of China in Ukraine can be better defined as "geo-economic reconnaissance", which is a preparatory stage in strategic decision-making. Put it differently, China probes the socio-economic and political environment in Ukraine in order to assess the risks and opportunities for doing its business there. Similar to its policy in other Third World countries (for example, in Georgia and Moldova), China's reconnaissance strategy in Ukraine pursues three key objectives:

- Promotion of the export of high-tech products, stimulating China's leadership in innovations;
- Access of Chinese companies to deficit resources in Third World countries;
- Stable employment of workers in China (Gabuev, 2017; Samokhvalov, 2018; Samorukov & Umarov, 2020).

At the tactical level, China employs a private-public partnership and tied loans for business in a partner country. Chinese companies compete for the most economically attractive and profitable projects. As far as Western companies are also interested in the export of high-tech products to the Ukrainian markets and the access to resources in Ukraine, the competition between Chinese and Western companies for access to resources and markets of high-tech products in Ukraine facilitates deepening resource curse of the Ukrainian economy¹.

Although China has not been directly involved in the geopolitical competition between Russia and the West, seems, it managed to benefit from its results. Trade with China is one of the important factors allowing the Ukrainian economy to avoid collapse after 2014. However, China's plans in Ukraine are more ambitious than just a trade.

Ukraine and China's BRI project

Undoubtedly, Ukraine is an attractive partner for the implementation of China's BRI project due to its location, free trade zone with the European Union, and a comparatively large local market. China officially proposed Ukraine to be a part of its BRI project in 2013, in 2016, and 2020. China's persistent efforts in engaging Ukraine in its geo-economic orbit justify the seriousness of its plans. However, in Ukraine, a decision for possible strategic cooperation with China is always assessed through a geopolitical lens. First, the enlargement of BRI on Ukraine impacts the relationships within a traditional geopolitical triangle "Russia – Ukraine – the

¹ For example, a Huawei case in Ukraine.

West”. But it also creates a new area of geopolitical competition (between China and the USA) in Ukraine. China’s proposal to join the New Eurasian Land Bridge together with Kazakhstan and Russia put the Ukrainian government before the difficult choice. On the one hand, Ukraine’s inclusion in the New Eurasian Land Bridge can bring at least \$1 billion to Ukrainian state budget annually (Palivoda, 2019). On the other hand, Ukraine’s possible participation in the New Eurasian Land Bridge where Russia and China are partners can increase Ukraine’s dependence on Moscow. As Nadege Rolland explains it: “China and Russia are certainly looking together in the same direction with an equal yarning towards Eurasia. Both powers perceive the Western presence in East Asia for China, NATO and the European Union’s normative power for Russia – as threatening to contain and ultimately undermine them” (Rolland, 2019). Therefore, the EU with its diplomatic umbrella is critically important for Ukraine’s cooperation with China in the framework of BRI. As a reaction to BRI, the EU established the EU-China Connectivity Platform aimed at the enhancement of synergies between the EU’s approach to connectivity and the Belt and Road Initiative. The budget of TEN-T (the EU’s sub-program, targeted at Eastern Partnership, including Ukraine) is €12 billion. In the framework of TEN-T, the EU’s investment in Ukraine will be for: development of the border infrastructure between EU member states and Ukraine; the reconstruction of Ukraine’s internal autobahns; modernization of terminals in the airports in Kyiv, Lviv, and Odesa; and modernization of the terminals in the Black Sea seaports (The EU-China Connectivity Platform, 2015).

The relatively measured response from China reflects the future potential for cooperation with Ukraine outside strategically sensitive sectors. Already in October 2020, President Zelensky in his interview for the “Senchua” newspaper, had proposed the restoration of Ukraine’s strategic partnership with China (Interview of the President of Ukraine to the Chinese news agency Xinhua).

He proposed cooperation in the machine-building, transport, and agriculture industries. In December 2020, the Cabinet of Ministers of Ukraine approved a project for Cooperation Agreement between China and Ukraine for the construction of infrastructure in Ukraine. Apparently consisting of \$1bn Chinese loan for the Kremenchug bridge across the River Dnipro in central Ukraine and a new ring road around Kyiv, the Agreement was immediately questioned as deeply problematic because of the potential dependencies on China it creates for Ukraine (Markarova, 2020). Ukraine's relations with China thus illustrate both the limits and opportunities small states face when they are in the crosshairs of great powers. Ukraine has generally managed to combine a pro-Western foreign policy orientation with active economic cooperation with China. This approach has only started to reach its limits in the face of an intensifying global rivalry between China and the United States (and its European and Asian allies) and in the context of Chinese involvement in the highly sensitive military-industrial complex and high-tech sector.

Conclusions: Smart Leadership Strategy for Ukraine

Small states with strong institutions can take advantage of the competition between great powers in order to increase the competitiveness and resilience of their economies. For example, during the Cold War, small states like Austria and Finland with their strong democratic institutions and market economies were able to cooperate economically well with the Soviet Union while remaining firmly anchored in the West, even without membership in NATO or the predecessors of the European Union. By contrast, small states with weak institutions bear the economic consequences of the geopolitical competition of great powers as they lack the domestic foundations to formulate and implement sound strategies not only to survive but also to thrive in the context of great power competition.

Thus, the first task for smart leadership is the strengthening of domestic institutions in Ukraine. In line with reforms advocated

by the EU of Ukraine's judicial and financial systems, among others, smart leadership would more generally focus on improving the business climate in the country, providing greater stability, predictability, and transparency in its decision making.

This is also important in the sense that the role of the EU and its diplomatic umbrella is critically important for Ukraine's future cooperation with China in the framework of BRI and beyond. The EU New Eurasian Land Bridge economic corridor is one of them main nodes connecting China to the EU market, but Ukraine's potential within it is far from fully realized. The EU-initiated EU-China Connectivity Platform, which aims at the enhancement of synergies between the EU's approach to connectivity and the Belt and Road Initiative, and the EU's TEN-T program of infrastructure development (including development of border infrastructure, renewal of domestic road infrastructure, and modernization of airport and seaport facilities) are two key elements that can further increase Ukraine's attractiveness to China while strengthening its continued anchoring in the West.

Smart leadership, therefore, needs to fully implement the commitment in the National Economic Strategy 2030 to cooperate with the BRI only under the umbrella of the EU-China Connectivity Platform. This is particularly important as it ensures that Kyiv can rely on the EU's conception of connectivity as rules-based. It also creates a situation in which Brussels shares with Kyiv the geopolitical and geo-economic risks of possible participation in BRI.

Third, smart leadership needs to be able to distinguish between cooperation with the BRI and 'just trade' with China. Within certain parameters (i.e., with certain sensitive sectors being off limits) this is an approach that has served Ukraine well so far: it has enabled the country to respect the red lines of its Western partners, while being able to make the most of the economic opportunities offered by engagement with China.

Finally, smart leadership needs to recognize that developing Ukraine's relations with China does not happen in isolation from its relationship with Russia or independent of that between Russia and China. Positive relations with China, in which both sides explore mutual advantage and recognize their respective limits, would also provide Ukraine with a stronger position vis-à-vis Russia. It will not quickly or fundamentally alter the dangerous dynamic of Ukrainian-Russian relations since late 2013, but a Chinese interest in a stable and dependable Ukrainian trade partner may shape Russia's calculus on how to use the leverage it has in and over Ukraine. This, in turn, also increases Ukraine's opportunities to preserve a certain degree of foreign policy autonomy from its Western partners when it comes to its economic relationships with China.

Ultimately, smart leadership is about recognizing and navigating the complex set of challenges and opportunities that China's increased presence and activities in the post-Soviet space have created for countries like Ukraine.

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Маляренко Т. Китайська ініціатива “Один пояс, один шлях” у спірному східному сусідстві: випадок України. – Стаття.

У цій статті я стверджую, що підсилена тристороння конкуренція за вплив – між Росією, Китаєм і Заходом в Україні і над нею – створила новий простір для автономного прийняття рішень і може посилити власний вплив України, коли справа доходить до стратегічних геополітичних і географічних питань, економічного вибору у зовнішній політиці. Спираючись на теорію конкуренції для визначення конкурентної політики прагнення до впливу великих держав і стратегій малих держав, я пропоную стратегію “розумного лідерства” для України, спрямовану на управління її статусом у трикутнику Росія – Китай – Захід. Малі держави з сильними демократичними інститутами можуть скористатися конкуренцією між великими державами для підвищення конкурентоспроможності та стійкості своєї економіки. У першій частині статті окреслюються національні інтереси України. Далі слідує розгляд геополітичного і гео економічного середовища, в якому Україна діяла до недавнього часу, перед докладним освітленням змін у цьому середовищі, які пов’язані зі збільшеним економічним значенням, яке Китай набув для України. У другій частині статті розглядається, як могло б виглядати розумне керівництво, якби Україна вирвалася з нинішньої подвійної пастки позиціонування малої держави у геополітичному змаганні великих держав. В якості завдань розумного керівництва названі: зміцнення внутрішніх демократичних інститутів в Україні, співпраця з BRI під егідою Платформи взаємодії між ЄС і Китаєм та відмінність співпраці з BRI і “справедливої торгівлі” з Китаєм. Також стверджується, що розвиток відносин України з Китаєм не відбувається ізольовано від її відносин з Росією або незалежно від відносин між Росією і Китаєм. Позитивні відносини з Китаєм, в яких обидві сторони зацікавлені у взаємній вигоді та визнають свої відповідні обмеження, також забезпечать Україні сильнішу позицію відносно Росії.

Ключові слова: ініціатива “Один пояс, один шлях”, гео економіка, велика держава, конкуренція, лідерство.

Маляренко Т. Китайская инициатива “Один пояс, один путь” в спорном восточном соседстве: случай Украины. – Статья.

В этой статье я утверждаю, что усиливающаяся трехсторонняя конкуренция за влияние – между Россией, Китаем и Западом в Украине и над ней – создала новое пространство для автономного принятия решений и может усилить собственное влияние Украины, когда дело доходит

до стратегических геополитических и географических вопросов, экономического выбора во внешней политике. Опираясь на теорию конкуренции для определения конкурентной политики стремления к влиянию великих держав и стратегий малых государств, я предлагаю стратегию “разумного лидерства” для Украины, направленную на управление ее статусом в треугольнике Россия – Китай – Запад. Малые государства с сильными демократическими институтами могут воспользоваться конкуренцией между великими державами для повышения конкурентоспособности и устойчивости своей экономики. В первой части статьи очерчиваются национальные интересы Украины. Затем следует рассмотрение геополитической и геоэкономической среды, в которой Украина действовала до недавнего времени, перед подробным освещением изменений в этой среде, связанных с возросшим экономическим значением, которое Китай приобрел для Украины. Во второй части статьи рассматривается, как могло бы выглядеть разумное руководство, если бы Украина вырвалась из нынешней двойной ловушки позиционирования малого государства в геополитическом соревновании великих держав. В качестве задач разумного руководства названы: укрепление внутренних демократических институтов в Украине, сотрудничество с BRI под эгидой Платформы взаимодействия между ЕС и Китаем и различие сотрудничества с BRI и “справедливой торговли” с Китаем. Также утверждается, что развитие отношений Украины с Китаем не происходит изолированно от ее отношений с Россией или независимо от отношений между Россией и Китаем. Позитивные отношения с Китаем, в которых обе стороны заинтересованы во взаимной выгоде и признают свои соответствующие ограничения, также обеспечат Украине более сильную позицию по отношению к России.

Ключевые слова: инициатива “Один пояс, один путь”, геоэкономика, великая держава, конкуренция, лидерство.

