

THE NEW SILK ROAD AND UKRAINE: A MEETING HALFWAY¹

or the first time, the idea of The New Silk Road, particularly the creation of its economic zone, was announced by the Chair of the People's Republic of China on September 7, 2013 in his appeal at the University of Nazarbaev (Kazachstan)². As a result of subsequent corrections, debates, and ideological embellishments, a publication appeared, dated on March 28, 2015, of a joint document by the National Committee of Development and Reform of China (Ministry of Foreign Affairs, Ministry of Commerce), entitled "Perspectives and operations aiming at the promotion and general constitution of the economic zone of the Silk Road and marine Silk Road of the twenty-first century". It outlined the direction, framework, and aims of the project referred to as "One zone, one road"³.

For Ukraine it was an important signal. From the very moment of regaining independence, rational politicians and scholars have seen the necessity of breaking with the Soviet past and its economic model, and of diversification of economic relations, commercial-logistic relations notwithstanding. Taking into account Russia's so-called hybrid war against Ukraine, one can observe that the issue of diversification has gained for Ukraine significance far greater than it was ever acknowledged. In such circumstances, the initiative of the New Silk Road was offering to Ukraine quite a realistic alternative. However, the Chinese party did not from the outset regard Ukraine as a participant in the project. It was not until September 2015 in Beijing during the proceedings of interparliamentary subcommission of commerce that Ukrainian diplomacy was able to convince China to include Ukraine in it. A joint protocol was signed which gave a clear signal to both Chinese and Ukrainian business⁴.

¹ The article is a shorter version of the paper made on the base of the authors report for 7th International Conference on Railway History «Rail Routes from the Baghdad Railway to the New Silk Road (19th to 21st Centuries) — Utopian Dreams, Past Achievements, and Future Prospects for Rail Transport between Europe and the Middle and Far East» (Istanbul (Turkey) from 2nd to 5th November 2016) and published in: *Ukrainian-Chinese Relations: Unknown Cards of History and Presence*. (ed. I.B. Matyash, Diplomatic Academy of Ukraine, 2016, pp. 151-169).

² Чжао Хуейжун. Економічний пояс Шовкового шляху і Україна // Круглий стіл «Стан і перспективи розбудови українсько-китайського стратегічного співробітництва»: збірка виступів. — 25.11. 2015. — s. 37.

³ *ibidem* — s. 37-38.

⁴ Новий «Шовковий шлях»: Україна стає вантажним хабом для Європи — Омелян // <http://newsradio.com.ua/archives/20160115/1302820.html>

On January 14, 2016 Ukraine signed the protocol concerning the creation of discount wages for cargo with the use of Trans-Caspian International Trade Route⁵. It constitutes an integral part of the New Silk Road and offers an alternative to the traditional route through which cargo from China to Europe has been delivered (Kazakhstan — Russia — Belarus). A distinctive feature of TCITR as a logistic chain can be seen in its being formed without the participation of Russia⁶.

The first Ukrainian demonstrative train within the New Silk Road with ten cars carrying half-fabric materials for pipe production in Georgia and five empty containers was checked out from commercial harbor Chernomorsk on January 16, 2016⁷. At night 30-31 January, the train reached its destination — Dostyk station of the Kazach railway on the border with the People's Republic of China. The train crossed the Black and the Caspian Sea and passed main stations: Batumi harbor, Alyat, Aktau-Port, Bejneu, Zezkazgan, Belchasz-1. In total, the transport took 15,5 days instead of 11-12 days, as earlier announced. On April 7, 2016 the train with empty containers was checked out from Dostyk station and on April 17 it was back in Ukraine⁸.

In this way, the first Ukrainian test train revealed — or confirmed, to be more precise — the existence of the whole spectrum of problems the tackling of which was crucial for establishing whether the transport route will be economical at all, or perhaps it will remain an example of good intentions but failed execution. Specifically, the problems occurring are: the time and the costs of delivery, irregularity of voyages, two marine phases of transport and its capacity, the necessity of attracting states-partners to the project and accounting for the interests of other market participants: logistic business, transportation firms, importers and exporters. Six months which have passed since the arrival of the train allows one to speak with some optimism (should the tendency be maintained) of the general attitude to the project as quite serious. Having said that, one can point out the following levels that comprise the optimism.

⁵ Новый шелковый путь: Азербайджан, Казахстан, Грузия и Украина подписали документ о грузоперевозках // <http://nv.ua/world/geopolitics/novyj-shelkovyj-put-azerbajdzhan-kazachstan-gruzija-i-ukraina-podpisali-dokument-o-gruzoperevozkah-91260.html>

⁶ Транскаспийский коридор: сможет ли Украина стать альтернативой России для китайского транзита // http://cfts.org.ua/articles/transkaspiskoy_koridor_smozhet_li_ukraina_stat_alternivoy_rossii_dlya_tranzita_kitay_skih_gruzov_950

⁷ Кацило Д. В обход России. Зачем Украина отправила полупустой поезд в Китай // <http://biz.liga.net/all/transport/stati/3236286-v-obkhod-rossii-zachem-ukraina-otpravila-polupustoy-poezd-v-kitay.htm>

⁸ Экспериментальный поезд из Китая вернулся в Украину пустым // <http://biz.liga.net/keysy/transport/novosti/3335239-eksperimentalnyy-poezd-iz-kitaya-vernulsya-v-ukrainu-pustym.htm>

A. POLITICAL LEVEL

The process of realization of the Trans-Caspian Route has engaged the highest authorities of the Ukrainian state. In the summer-autumn 2016, the policy on the part of key figures in the government was continued. One should underscore here the initiative of prime minister W. Grojsman on the part of the Organization for Democracy and Economic Development (GUAM) which focused on bringing to attention the relations of transit and transport in collateral and multilateral relations which met with a positive feedback among partner states⁹. That was why the Secretary General of GUAM, Altai Efendiev, has announced that prime ministers of partner states were planning a reunion in Kiev during which issues of creating transport corridors and of establishing free commerce zones were to be discussed. Efendiev has said that “the meeting of prime ministers would be augmented by the presence of the leader of Kazach government which means that the meeting was to be held in the form “GUAM+”. He also added that “the resolution was essential in that there was a point in logical continuation of the way once chosen”¹⁰.

The determination of Ukraine to participate in the New Silk Road was later confirmed by the prime minister during his meeting with the newly appointed Extraordinary Ambassador of China in Ukraine, Du Wei. In particular, the authorities shared the conviction that establishing the plan of activity for Ukraine and China (road map) was to be accelerated for the joint initiative to build the economic zone of the Great Silk Road to be realized¹¹.

Of importance were the words of China’s Ambassador, spoken on November 7, 2016 at the First International Ukrainian Forum of the Silk Road and emphasizing that it was unthinkable to realize the initiative of the New Silk Road without Ukraine¹². The ambassador came up with an offer to establish a free trade zone between China and Ukraine: the Chinese party has

⁹ Гройсман запропонував створити Зону вільної торгівлі в рамках ГУАМ // <http://dt.ua/ECONOMICS/groysman-zaproponuvav-stvoriti-zonu-vilnoyi-torgivli-v-ramkah-guam-212918.html>

¹⁰ Премьер-министры пяти стран обсудят в Киеве Транскаспийский маршрут // http://cfts.org.ua/news/2016/11/08/premer_ministry_pyati_stran_obsudyat_v_kieve_transkaspyskiy_marshrut_37382

¹¹ Гройсман і посол Китаю обговорили дорожню карту “шовкового шляху” // <http://www.ukrinform.ua/rubric-economics/2056390-groysman-obgovoriv-z-poslom-knr-kitajski-investicii.html>

¹² Посол Китая назвал невысланным создание “Шелкового пути” без Украины // http://lb.ua/world/2016/11/07/350041_posol_kitaya_nazval_nemislimim.html

proposed, on a working level, an ambitious aim. “We hope to intensify research in this matter on the Ukrainian side”¹³.

B. CIVIC AND BUSINESS LEVELS

After the Revolution of Dignity in Ukraine an important phenomenon can be observed — namely, the rise in significance of the civil society. In order to mobilize the nation’s civic, political, business and intellectual potential, there was created a civil organization called “Silk Link” which on May 24, 2016 was quick enough to make a presentation “Ukrainian Silk Road Summit” in the Big Aula at the Academy of Diplomacy based in the Ministry of Internal Affairs.

The forum itself, as it was mentioned earlier, was held on November 7, 2016 and confirmed Ukraine’s choice to follow in the chosen direction. The forum concluded with signing of three documents: the agreement on cooperation and development of electronic platform eSilkRoad in Ukraine between Civic Organization Silk Link and the International Chamber of Commerce of the Silk Road, the memorandum on the strategic cooperation between The Ukrainian House in Beijing and the International Chamber of Commerce of the Silk Road, and the agreement on the cooperation between The Center of Modern China Tianxiang Link and the International Chamber of Commerce of the Silk Road¹⁴.

In July 2016 Ukrainian dairy companies began exporting their products to the countries of Middle Asia using the New Silk Road. According to the estimates of “Milkiland” — part of the international group Milkiland NV, represented in Ukraine by ten companies of milk production — the cost of sending dairy products to Middle Asia has increased by \$ 200 per ton as compared to the former route (or is by 65% more expensive than it used to be). Another problem surfaced immediately, connected with the route’s capacity; queues of vehicles waiting for ferry embarkation to Georgia were forming which considerably slowed down the process.

¹³ Китай ініціює створення зони вільної торгівлі з Україною — посол КНР // <http://economics.unian.ua/finance/1609726-kitay-initsiyue-stvorenniya-zoni-vilnoji-torgivli-z-ukrajinoju-posol-knr.html>

¹⁴ Шовковий шлях дає поштовх для розвитку української інфраструктури — Зубко // <http://www.ukrinform.ua/rubric-economics/2115658-sovkovij-slah-dae-postovh-dla-rozvitku-ukrainskoi-infrastrukturi-zubko.html>

Yet the new route has turned out to be the only real way of delivering cargo to Middle Asia. Therefore, there is an ongoing process of equipping the new route and increasing the number of ferries in order to increase the route's capacity¹⁵.

C. TRANSPORT-LOGISTIC LEVEL: THE UKRAINIAN SECTION

The central issue, beside the logistic one, in bringing to realization Ukraine's participation in the New Silk Road, has been the problem of lowering the costs of transport. The first step in this direction was made on May 17, 2016 in Tbilisi, by signing the protocol on Ukraine's entrance into the Trans-Caspian International Transport Route. The agreement was reached as to the decreasing the complex rate for transport, from \$ 5559 to \$ 3980 for an alloy container from Izow station to the border with China (Dostyk). In this way, the delivery of cargo by the New Silk Road would be cheaper almost by 30%¹⁶. From the point of view of the Head of the Center of Transport Strategies, Sergei Wowk, "decreasing the rates is a positive signal which can significantly facilitate the plight of Ukrainian exporters, as well as make the trans-Caspian route to work as a transit channel"¹⁷.

Of importance remains the question of the number of ferries in the Black Sea. The problems therewith date back to launching the test train, and only a temporary solution has so far been found. Train cars from Chernomorsk harbor to Batumi were delivered by ferries owned by a Bulgarian firm BMF. But they did not reach Georgia directly, but via a detour route, through Warna¹⁸.

Operating in Ukraine, is a company "Ukrferry" which has been on the market of ferry journeys in the Black Sea since 1995. The policies of the private carrier have brought about discrepancies with the state policy concerning the leasing of two train ferries: "Bohaterów Szypka" and "Bohaterów Plewna". As a result, in September 2016 the ferries were returned to the state as its

¹⁵ Дикаленко М. Новий «Шовковий шлях» коштіватиме експортерам на 65% дорожче маршруту через Росію // <http://news.finance.ua/ua/news/-/381617/novij-shovkovyj-shlyah-koshtuvatyme-eksporteram-na-65-dorozhche-marshrutu-cherez-rosiyu>

¹⁶ Україна домовилася про зниження ставки на перевезення новим «Шовковим шляхом» // <http://news.finance.ua/ua/news/-/375953/ukrayina-domovylasya-pro-znyzhennya-stavky-na-perevezennya-novym-shovkovym-shlyahom>

¹⁷ Ін: Макєєв В. Шовковий шлях стане на 30% дешевше // <http://biz.nv.ua/ukr/economics/shovkovij-shljah-stane-na-30-deshevshe-125652.html>

¹⁸ Засядько Н. Проблем не счесть. Начнет ли Украина регулярные перевозки по Транскаспийскому маршруту // http://cfts.org.ua/articles/problem_ne_schest_nachnet_li_ukraina_regulyarnye_perevozki_po_transkaspiskomu_marshrutu_1086

possessions and are now operated by “Ukrzaliznystia”¹⁹. The latter does the maintenance and repairs and it is planning to resume shipments and go out to the sea²⁰.

Ukraine has been doing much to pull the loadings onto its side. Therefore, the Cabinet of the Ministers of Ukraine has established a constant 50% rate cut for harbor fees and transit loads passing through Ukrainian marine harbors. Moreover, by the end of 2016 in Ukraine there will be ratified a new method of calculating harbor fees which will account for their reduction. The new methodology will predict the reduction of harbor fees by no less than 30% for transit cargo. It is expected that this initiative will allow to increase the competitiveness of Ukrainian harbors, as well as will have a positive impact on the railway which links delivery with harbors²¹.

In this context, of significance is also the information that the leader of the world ranking of harbor operatives — Hutchinson Ports — has begun to analyze the technical capacity of Chernomorsk harbor, particularly its banks, in order to decide, as the Ukraine’s Viceminister of Infrastructure Nadiezda Kaznacheeva has said, “where they could effectively invest”²².

D TRANSPORT-LOGISTIC LEVEL: THE PARTNERSHIP SECTION

One can observe with optimism the work being done in other countries participating in TCITR. The heads of consequent railway administrations of Kazakhstan, Azerbaijan and Georgia discussed in October 2016 the establishment of the International Society of Trans-Caspian International Transport Route during another session of the coordinating committee for the development of TCITR. The activity of the society will be focused on attracting transit loads and commercial cargo from abroad and on overseeing the development of integrated logistic products along TCITR²³.

¹⁹ Ibidem; Засядько Н. Транскаспійський коридор: зможе ли Україна стати альтернативою Росії для китайського транзиту) // http://cfts.org.ua/articles/transkaspiskoy_koridor_smozhet_li_ukraina_stat_alternativoy_rossii_dlya_tranzita_kitayskikh_gruzov_950

²⁰ Названа ожидаемая дата выхода в море паромов “Укрзалізниця” // http://cfts.org.ua/news/2016/09/22/nazvana_ozhidaemaya_data_vykhoda_v_more_paromov_ukrzaliznytsi_36574

²¹ У Омеляна анонсували зниження портowych сборов // <http://economy.apostrophe.ua/news/transport-i-svjaz/2016-11-07/u-omelyana-anonsirovali-snijenie-portovyih-sborov/76394>

²² Hutchison Ports изучает причалы порта Черноморск // http://cfts.org.ua/news/2016/11/07/hutchison_ports_izuchaet_prichaly_porta_chernomorsk_37378

²³ Казахстан, Грузия и Азербайджан создают транзитную ассоциацию ТМТМ // http://cfts.org.ua/news/2016/10/10/kazakhstan_gruziya_i_azerbaydzhan_sozdayut_tranzitnyuyu_assotsiatsiyu_tmtm_36926

Georgia has been initiating, with China, a joint project of reconstructing marine harbors within the initiative of the Silk Road. Georgia intends to build, within three years, starting from the end of 2016, a new harbor in the city of Anaklia, located in the eastern coast of the Black Sea and on the trade route between China and Europe. It is said that estimated costs will be 2,5 billion dollars (out of which Georgia's government will provide 100 million dollars)²⁴. For Ukraine it is particularly important, because on September 13, 2016 Ukraine and Georgia signed an agreement on organizing a direct international railway connection through marine harbors of the both countries, which will facilitate the delivery of trade goods²⁵. The talks of the Ukrainian side in the similar vein were held together with their colleagues from Turkmenistan on 16-17 September, 2016²⁶.

Also Azerbaijan has been increasing its transit potential. In April 2016 the Baku harbor signed a memorandum with SMRT International Pte Ltd. and Ectivise Solutions Pte Ltd. from Singapore on technical cooperation towards increasing the effectiveness of the operation of the new harbor Alyat which is being built near Baku (so-called New Baku Harbor)²⁷. In September 2016 the Closed Incorporated Enterprise "Azerbaijan Caspian Marine Trade" completed a capital renovation of the Shahdag ferry in order for it to be used for deliveries via TCITR route²⁸. As a result of this and other activities, the Baku harbor has increased by 1,5 the flow of trade goods²⁹.

The gradual opening of Iran looks also promising. Presently, the delivery of cargo from Azerbaijan to Iran is done by vehicle transport, but from March 2017, the railway connection Astar-Reszt-Kazwin is expected to begin operating. The length of the route is 350 km. According to pre-

²⁴ Танасійчук О. Від Лісабона до Шанхаю. Негладкий Шовковий шлях //

<http://www.ukrinform.ua/rubric-politycs/2006536-vid-lisabona-do-sanhau-negladkij-sovkovij-slah.html>

²⁵ Україна і Грузія домовились про пряме залізнично-паромне сполучення //

<http://dt.ua/ECONOMICS/ukrayina-i-gruziya-domovilis-pro-pryame-zaliznichno-paromne-spoluchennya-218698.html>

²⁶ Україна завлекає Туркменістан в Транскаспійський коридор //

http://cfts.org.ua/news/2016/09/19/ukraina_zavlekaet_turkmenistan_v_transkaspiskyj_koridor_36486

²⁷ Порт Баку внедряет новые технологические решения из Сингапура //

http://cfts.org.ua/news/2016/04/26/port_baku_vnedryaet_novye_tekhnologicheskie_resheniya_iz_singapura_33712

²⁸ Азербайджан привлек новое судно к перевозкам по Транскаспийскому маршруту (фото) //

http://cfts.org.ua/news/2016/10/26/azerbaydzhan_privlek_novoe_sudno_k_perevozkam_po_transkaspiskomu_marshrutu_foto_37187

²⁹ Ключевой порт Транскаспийского маршрута почти в 1,5 раза увеличил грузопоток //

http://cfts.org.ua/news/2016/10/31/klyuchevoy_port_transkaspiskogo_marshruta_pochti_v_15_raza_uvelichil_g_ruzopotok_37276

liminary estimates, its capacity will amount to 7 million tons of cargo per year. The loads for the railway may come from the Baku harbor which the route of the New Silk Road crosses³⁰.

The container train “Viking” may also join TМTP. It has been running since 2003 and it connects harbors in Odessa and Chernomorsk through Minsk with the Lithuanian non-freezing harbor Klaipeda. Ukrainian government spokesperson informed at the beginning of February 2016 that a memorandum was signed with Lithuania on connecting the project “Silk Wind” through Ukraine to China with the project “Viking”³¹. The Ministry of Infrastructure has held talks with the Moldavian Ministry of Transport and Infrastructure on moving the railway lines of Moldavia to the transport corridor between the Baltic, Black, and Caspian Seas³².

As the above considerations indicate, Ukraine has regarded its role in the New Silk Road primarily as a transportation and logistic node. And while at the start the project of Ukrainian participation may have looked rather utopian, now it is assuming a real form³³.

Still, from the Ukrainian side this all seems to represent a rather narrow look at the Economic Zone of the Silk Road whose very idea has from the outset been much more profound. It is to this aspect of the situation that the scholar of the National Academy of Sciences of Ukraine, Bogdan Danilichin, has recently brought attention, that is the idea that “Silk Line” is trying to convey, and that is something that Extraordinary Ambassador and Counsel of Ukraine in China, Oleg Demin, has constantly underlined. In the context of broad understanding of the Economic Zone of the Silk Road, it is understandable that the People’s Republic of China has been interested in establishing a free trade zone with Ukraine.

Now it is Ukraine’s task to demonstrate an initiative...

³⁰ Дикаленко М. Новий «Шовковий шлях» коштуватиме експортерам на 65% дорожче маршруту через Росію // <http://news.finance.ua/ua/news/-/381617/novyj-shovkovyj-shlyah-koshtuvatyime-eksporteram-na-65-dorozhche-marshrutu-cherez-rosiyu>; Засядько Н. Больше альтернативы. Зачем Украине транспортный коридор в Иран) // http://cfts.org.ua/articles/bolshe_alternativy_zachem_ukraine_transportnyy_koridor_v_iran_1104

³¹ Кабмін запланував об’єднати “новий Шовковий шлях” з Литвою // <http://tyzhden.ua/News/157503>

³² Украина завлекает Молдову в транспортный коридор между тремя морями // http://cfts.org.ua/news/2016/07/31/ukraina_zavlekaet_moldovu_v_transportnyy_koridor_mezhdu_tremya_moryami_35483

³³ It might be interesting to observe the reaction of northern neighbors to Ukrainian attempts to participate in the New Silk Road — from a disdainful and condescending attitude, to manifestations of malevolent satisfaction in the first train’s failure, to autumn reconsiderations of Russia’s joining TCITR or presenting, as it is now called, a “non-standard view of themes discussed for ages”. For details see: Каспийские коридоры и российская логистика // <http://seanews.ru/news/news.asp?newsID=1024363>