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MULTIPOLARITY OF THE WORLD TRADE: CHALLENGES AND "CORRIDOR OF OPPORTUNITIES" FOR UKRAINE

The paper discusses trends of the world trade development towards multipolarity that is caused by the increasing impact of “newly emerged” leaders, in particular China, and weakening of the domination of “traditional” transatlantic leaders. The development of multipolarity in the world trade is supported by the processes of trade regionalization, especially by signing of megaregional trade agreements on the base of the current balance of power in the world trade.

The details of the regional trade agreements concluded by the world trade leaders – USA, EU and China are described. The academic discussion on the role of Regional Comprehensive Economic Partnership (RCEP) leads to the conclusions that creation of RCEP will induce the creation of a new world trade pole in Asia and the Pacific region during the next decades, where China will play a leading role.

The future of the World Trade Organization and the WTO fundamental principle of multilateral trade relations is the most controversial issue in connection with the development of multipolarity of the world trade. Challenges that were faced by the WTO due to trade digitalization, COVID-19 pandemic and climate changes are analyzed, alongside with sources and causes of the WTO crisis. The spreading of economic patriotism (nationalism) trend that manifests itself in trade as a policy of protectionism is discussed in the context of the transition to multipolarity in the world trade.

The development of multipolarity in the world trade is followed by the processes that must be considered in the shaping of Ukrainian trade policy. The ability of Ukraine to get its “space for maneuver”, which will allow to increase the country's economic potential in the framework of the new world trade configuration, depends upon this country's trade policy that is grounded on the analysis of risks and

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opportunities in the trade relations with “major players” in the world trade.

Development of the trade with China creates significant risks of the increasing of raw materials orientation of export and strengthening dependence on the import of industrial goods from China. Vital risks also follow signing of the credit and investment agreements with China. Chinese investment in agriculture and food industry are the riskiest as they use natural potential of the recipient countries and Chinese technologies to diversify the sources of the food import to China. The shaping of the Ukrainian trade policy with the EU countries in the medium term will be influenced by latter's new trade policy of Open Strategic Autonomy. The main challenge is created by the EU plans to implement the Carbon Border Adjustment Mechanism (CBAM), which provides for the import tax on the import of the electricity, cement, aluminum, fertilizers, and products from steel and iron. The opportunities, created by the new EU trade policy for Ukraine have emerged due to the EU's declared support to the countries of the Eastern Partnership that have DCFTA with EU, including green and digital transition. The principle of “autonomy” in the new EU trade policy emphasizes the EU's ability to make its own choices, reflecting its strategic interests, which has features of the policy of economic nationalism and protectionism and will create a “corridor of opportunities” for pursuing protection measures for the development of domestic industries².

Keywords: *multipolarity, world trade, trade policy, regional trade agreements, economic nationalism*

Relevance of the problem. An influential external factor shaping trade policy in the near future will be the new configuration of world trade. World trade has reflected a shift towards the weakening economic dominance of the so-called "traditional" transatlantic leaders (US, EU, UK) and the growing influence of rapidly developing countries, especially China. This trend started the debate on the transition to multipolarity in the world trade.

Changes in Ukraine's trade policy related to the emergence of a multipolar world trade system require an economic rationale based on relevant research. First and foremost, this concerns deepening the understanding of the category of "multipolarity of the world trade" and research into current trends in its development. Scientific debate on the future of the World Trade Organization continues, including in the new context of multipolar world trade. In the context of the development of world trade towards multipolarity, discussions are underway to reconcile the principle of multilateralism that underpins the WTO agreements with

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the new realities. The transition to multipolarity is accompanied by a strengthening of protectionism in the world trade as part of a policy of economic nationalism, which also requires research and proper justification of Ukraine's trade policy measures. The extreme manifestation of the policy of economic nationalism is the trade wars that became widespread in the world trade at the beginning of the XXI century, which is explained by the power redistribution between the traditional and new leaders of the world economy. The above-mentioned factors - transition to multipolarity in the world trade, the WTO crisis, and the spread of economic nationalism policy among the world trade leaders - create both challenges to and new opportunities for the development of Ukraine's international trade.

Multipolarity of the world trade in academic discourse

In international relations, polarity is understood as any method of power distribution within an international system [1]. Depending on the number of centers of influence, three types of international systems are distinguished: unipolar, bipolar and multipolar ones. The multipolar type is characterized by a division of power in which more than two nation states have almost equal military, cultural and economic influence. It is generally accepted that after World War II the international system became unipolar with US dominance, during the Cold War it acquired signs of bipolarity - with the US and the USSR on opposite poles, and after the collapse of the USSR it became unipolar again. However, there is no consensus on whether the world will acquire signs of bipolarity with the increasing influence of China, or it will become multipolar or remain unipolar [2].

In the area of international trade, the division of power between the countries is more certain, as here the influence that is purely economic rather than military or cultural. It is clear that the regionalization of the world trade (the spread of bilateral, multilateral and mega-regional trade agreements) is leading to the formation of several poles of influence in the world trade. A common practice in the world trade is the conclusion of regional trade agreements, taking into account the current division of powers within the international system. An important pole of influence in today's international system is the US, which in 2020 updated its free trade agreement between the US, Canada and Mexico (USMCA) to replace the former NAFTA, has a multilateral free trade agreement with Central America and the Caribbean and bilateral free trade agreements with Chile, Peru, Colombia, the Republic of Korea, Australia, Singapore, Israel, Morocco, etc. A particular feature of the agreements that the US concludes with its partners is the inclusion of a section on investment, which defines mechanisms to protect investor rights, going beyond the WTO agreements. The EU currently has 46 unilateral and multilateral free trade agreements in force (as of September 2021). A special feature of the agreements concluded by the EU is the inclusion of provisions to harmonize the regulatory environment of the member states with EU rules and regulations (the formation of Deep and Comprehensive Free Trade Areas), which certainly contributes to strengthening the EU's leadership among the trading partners and in



global trade. The formation of Deep and Comprehensive Free Trade Areas also implies many provisions in the relevant agreements that go beyond WTO rules.

In November 2020, the third center of the world trade was impressively launched with the signing of the Regional Comprehensive Economic Partnership (RCEP) by 15 Asia-Pacific countries. This agreement brought together the various trade agreements in force between the Association of Southeast Asian Nations (ASEAN) and Australia, China, Japan, New Zealand and South Korea. This is a market that accounts for almost 30% of global GDP and covers 30% of the world's population and a quarter of global trade [3]. The RCEP agreement also contains provisions that take into account the current realities of the world trade and go beyond the WTO agreements - on digital trade, the development potential of micro, small and medium enterprises, and the deepening of the regional value chain. Leading global trade institutions predict that the creation of the RCEP in the coming decades will entail the emergence of a new center of the world trade in Asia and the Pacific, with China playing a leading role. The RCEP agreement was signed during the Trump presidency, when the US withdrew from the TPP (Trans-Pacific Partnership) negotiations and the chances of signing another mega-regional agreement between the US and the EU - TransAtlantic Trade and Investment Partnership (TTIP) - significantly declined. These political moves contributed to a reduction in the institutional and economic dominance of US global trade.

The Chinese government made no secret of its intentions regarding the leadership in the RCEP and the goal of forming a new center in the world trade. Chinese researchers from the Chinese Academy of Social Sciences, citing documents from the Chinese Communist Party, believe that the signing of this agreement will strengthen this country's key positions in the Asian production chain and maintain China's leadership in the global production chain [4]. These objectives, according to Chinese scientists, will be facilitated by the reduction and regionalization of global production chains after the end of the coronavirus pandemic.

Researchers from the Peterson Institute for International Economics (PIIE) and Johns Hopkins University (USA) cite their general equilibrium model calculations according to which China, Japan and South Korea will benefit most from the RCEP, while the US and India will lose out [5].

The formation of multipolarity in the world trade depends on the policies of the governments of the world trade leaders. Thus, the policy of the US is to maintain its global leadership and to protect the dominant positions of Western states from competitors. At the same time, EU and other European governments, especially Germany, France and Italy, are seen as strong proponents of the multipolar concept. The Chinese government too supports the idea of a multipolar world economy [6].

Multipolarity trends in the global trade

Figure 1 shows the evolution of real GDP of the world leaders in economic development during 2010-2020. In the crisis year of 2020, among the world leaders, only China had an increase in real GDP. According to the World Bank,



China's real GDP increased by 3.1% in 2020, whereas that of the USA decreased by 2.3% and that of India by 4.3%. China was the only major economy in the world to grow during 2020. Overall, between 2010 and 2020, China's GDP grew by 142%, the US by 39.6%, Germany by 12.0% and the UK by 9.1%. In terms of the size of its GDP, China is close to the EU but the size of China's GDP in 2020 is only 70.3% of that of the USA.

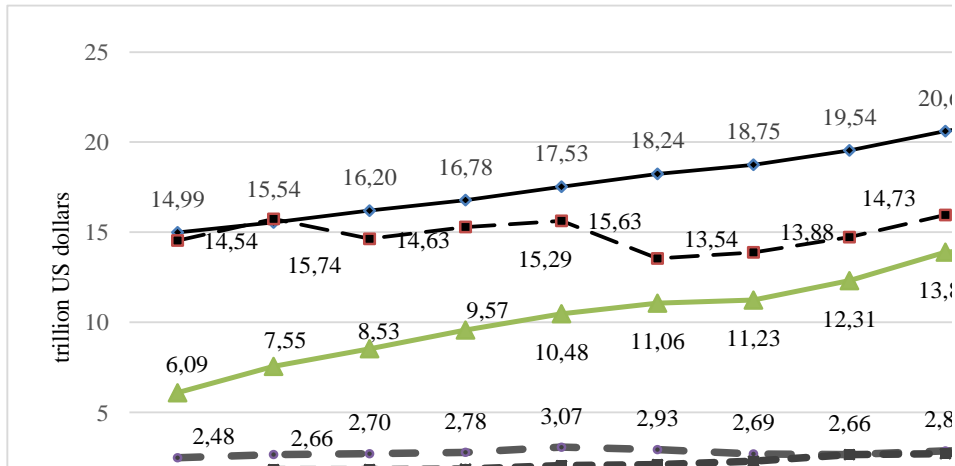


Figure 1. Real GDP dynamics of the global economic leaders in 2010-2020, trillion US dollars

Source: World Bank. URL: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

According to the forecast of Singapore's first Prime Minister, Lee Kuan Yew, the global balance of power will change in the 20s of the 21st century, and by 2035, China will surpass the US in GDP volume [7, p. 8].

India, which is seen as a contender for global leadership in a future multipolar economic system, is developing rapidly too. Between 2010 and 2020, India's GDP grew by 56.6%. In 2014, Indian Prime Minister Narendra Modi announced the launch of this country's new industrialization program called "Make in India", which aims to turn India into a global manufacturing hub with the aim of returning the economy to high economic growth rates [8]. However, despite India's competitive advantages, such as cheap labor, large territory, a considerable youth population and the national status of English, there are serious problems that hamper the country's economic growth. These problems were once pointed out by Lee Kuan Yew, who believes that India cannot catch up with China and become one of the leaders of the multipolar economic system in the next decades due to the preservation of the caste system in society, unwieldy bureaucratic machine, underdeveloped transport infrastructure, and internal heterogeneity [7, p. 64-68].

The movement of the global economic system towards multipolarity is most evident in China's growing role in the world trade. Between 2009 and 2019, China doubled its trade in goods and services, while this figure in the US only grew by 59% and in the EU by 44% (Figure 2). As of 2019, in terms of trade in goods and services, China is 5% behind the US and 20% behind the EU.

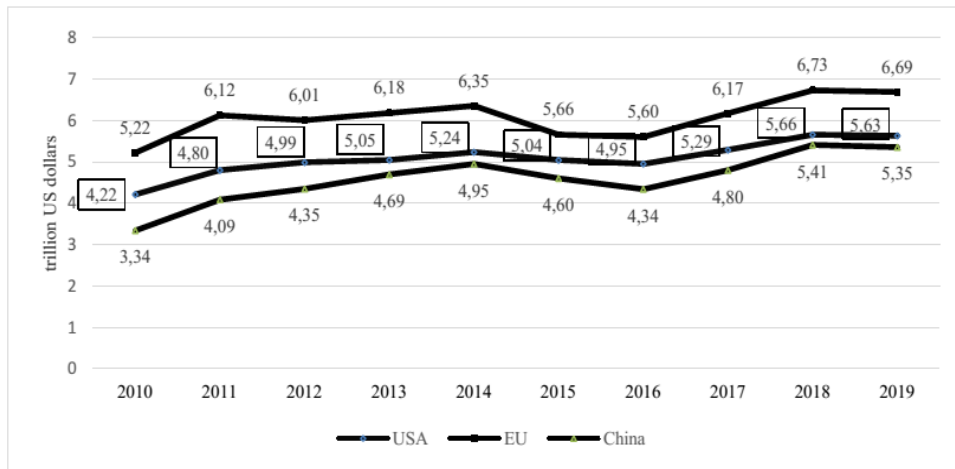


Figure 2. Trade in goods and services of world economic leaders in 2010-2019, trillion US dollars

Source: World Trade Statistical Review 2020. Statistical tables / WTO. 2020. P. 127-143. URL: https://www.wto.org/english/res_e/statis_e/wts2020_e/wts2020_e.pdf

Since 2015, China has been playing a leading role in the global merchandise exports. The persistence of China's leading position in the world merchandise exports was confirmed in 2020, when the global crisis provoked by the COVID-19 pandemic caused the value of US and EU merchandise exports to fall by 13.1% and 8.1% respectively compared to 2019 figures, while China managed to increase its merchandise export value by 3.7% (Figure 3).

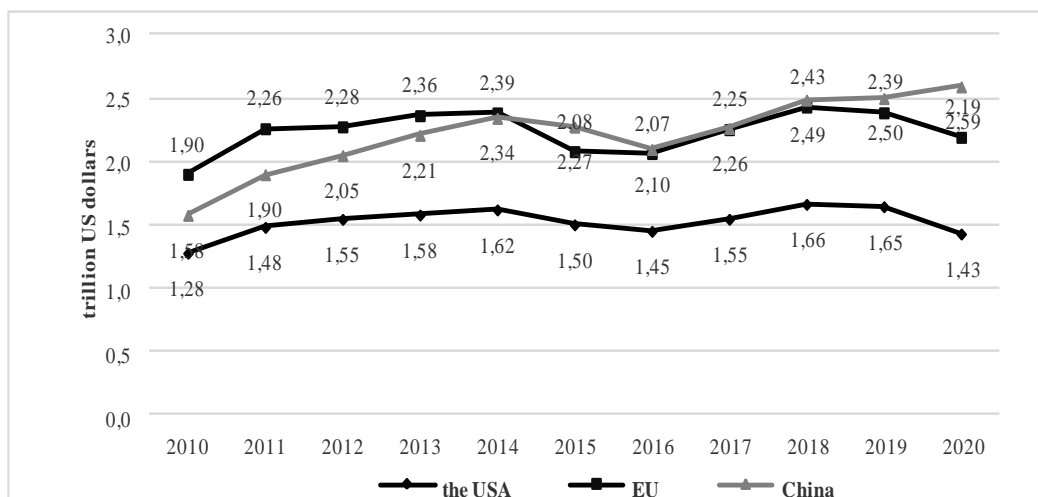


Figure 3. Exports of goods by world economic leaders in 2010-2020, trillion US dollars

Source: UN Comtrade database. URL: <https://comtrade.un.org/data>



Academic debate on the role of the WTO in the context of a multipolar world trade

The issue that is being debated most in connection with the development of multipolarity in world trade is the future of the World Trade Organization and the principle of multilateralism in trade relations on which the WTO is based.

New potential global trade leaders, such as China, Brazil and India, could use their growing economic clout to increase their institutional influence in the WTO. In particular, Brazil and China successfully promoted their interests through the WTO dispute settlement mechanism. India significantly strengthened its position in the WTO accession negotiation process by campaigning to allow developing states to restrict imports in order to meet their food security goals. Through this campaign, India overcame the objections raised by the US and other powerful agricultural exporting countries during the negotiation process.

As part of its policy to protect its country's global leadership, maintain its institutional influence in the WTO and prevent new world leaders, especially China, from gaining more influence, the US initiated a procedure that could destroy the WTO dispute settlement process. The US refused to appoint new members to the Appellate Body (AB) under the circumstances that the term of the old members had expired and, as of December 2019, the AB did not have enough members to adjudicate appeals. In such circumstances, the respondent country has the right to reject the appeal and not comply with the WTO Dispute Settlement Body's preliminary ruling [9].

The WTO crisis, resulting from the failure of its dispute settlement system to perform its functions, revived academic debate about the future role of WTO multilateral agreements in the world trade, particularly in the context of the proliferation of regional and mega-regional trade agreements. Indeed, many regional and mega-regional agreements have their own dispute settlement mechanisms. As a result, for example, if a trade dispute arises between RCEP members, it will be resolved within the partnership without WTO involvement, which means the development of multilateral mechanisms led by new world trade leaders. The discussion on the future role of multilateral WTO agreements in the context of the proliferation of regional and especially mega-regional trade agreements began back in the 1990s [10, pp. 142-144]. Further development of this discussion is in line with the challenges posed by the development of digital trade, climate change and - especially - the COVID-19 pandemic.

In connection with the development of multipolarity in the world trade, one of the most active participants in the debate on the role of regional trade agreements, Professor R. Baldwin (Geneva, Switzerland) in 2016 clearly outlined his position on the WTO's future: the WTO will be replaced by a multipolar system, or it will be transformed [11]. R. Baldwin suggested that if the reform of WTO does not involve the issues of "trade of the XXI century" caused by the ICT revolution, the institutions that will manage trade of the XXI century will be new mega-regional trade agreements. After all, large-scale reduction of customs tariffs

in the XXI century is taking place precisely within the framework of regional free trade agreements. However, for global value chains of twenty-first century trade, not only low tariffs but also conditions for protection of investments and intellectual property, as well as legal and regulatory measures to ensure two-way movement of goods, services and investments are needed. In practice, these rules are also spelled out in a series of regional and mega-regional agreements.

The panelists highlight the main factors behind the WTO crisis in the twenty-first century. Among the external factors, in addition to the proliferation of regional trade agreements, they mention the loss of dominant positions by the developed world and unilateral tariff reductions by developing countries. The loss of dominant positions in WTO by the world's most developed countries is explained by the fact that these countries were the main beneficiaries of customs tariff reductions under GATT/WTO in the process of mutual exchange of market access, which allowed them to take a leading position in global exports of goods due to the liberalization of access modes in developing countries. The rapid growth of developing countries changed that situation. The most significant impact was China's accession to the WTO in 2001. In addition, the growth of developing countries changed the balance of power in the negotiations and made them more difficult in the Doha Round of the WTO. The principle of consensus in WTO decision-making gave the coalitions of developing countries an opportunity to block the efforts of developed countries to open their most sensitive markets.

On the other hand, unilateral tariff reductions by developing countries occurred outside the WTO, in other words, without "binding" tariffs, and were associated with the transition of developing countries to a new model of import substitution [12]. The traditional model of import substitution is considered the construction of a domestic value chain in order to create goods that are competitive in foreign and domestic markets. High levels of tariff protection were used to gain competitive advantage in the domestic market. The new model involves global value chains - to increase competitiveness and industrialization, so its diffusion to developing countries was accompanied by large-scale tariff reductions, occurring independently of WTO negotiations.

All circumstances led Richard Baldwin to conclude in 2016 that the WTO is "paralyzed". However, in his opinion, mega-regional agreements cannot fully replace multilateralism within the WTO, as their proliferation will create a fragmented international trading system (as these agreements are not harmonized among themselves) and alienate non-members.

According to R. Baldwin, global trade governance is moving towards a system that will rest on two pillars. The first pillar, the WTO, will continue to manage traditional trade as has been the case since the organization was founded in 1995. The second pillar is a system in which rules on trade in intermediate goods and services, regulation of investment flows, protection of intellectual property rights and movement of labor are set out in mega-regional trade agreements.

However, the challenges posed by the prevalence of the COVID-19 pandemic from 2020 onwards influenced the views of leading research centers and



individual trade policy scholars on the future role of the WTO in the world trade [13]. Their position changed to that of retaining the WTO to deal with global issues, among which the need to promote production and distribution of vaccines against COVID-19 became an urgent pressing issue. The task of the WTO is seen as countering "vaccine nationalism" which not only slows down the global fight against the pandemic but also weakens trust among governments. The WTO is also seen as having a role in facilitating global economic and trade recovery through multilateral trade cooperation and in encouraging developed country governments to move away from the extensive subsidy programs imposed during the pandemic. In addition, WTO has an initiative to regulate digital trade and, if accelerated, will help to standardize related processes.

The challenges of climate change also need to be addressed in the WTO framework. Firstly, the WTO has to regulate world food markets in the face of changes in the volume and structure of global food production under the impact of global warming and the associated decline in precipitation in certain regions. Secondly, there is already a need to regulate trade relations between the developed world, which imposes additional duties at its borders linked to the carbon content of imported goods, and its trading partners. It is clear that addressing the latter issue solely through multilateral or bilateral trade agreements would further exacerbate the fragmentation of global trade.

The issues of WTO reform in the above areas have been discussed since 2006 at the annual WTO Public Forum, which provides a platform for academics, civil society, business, etc., to discuss ways to improve the multilateral trading system. Also, Think20 groups (T20) comprising universities, think tanks and other research centers from G20 countries develop recommendations on WTO reform through task forces on "Trade, Investment and Growth" and "Multilateralism and Global Governance". In particular, in 2021 the T20 developed recommendations for G20 trade ministers on WTO and digital trade reform concerning the key aspects of the institutional functioning of the WTO (negotiation format, dispute settlement, transparency and special and differential treatment status) as well as the introduction of rules in new sectors (digital trade and digital FDI, data flows, and services regulation) [14].

Economic patriotism in trade policy

The ideology of economic nationalism is most commonly associated with the work by the 18th century German economist Friedrich List on "National System of Political Economy" [15], and the term "economic patriotism" gained prominence since 2005, when it was used in the international debate on the possible takeover of the French company Danone by PepsiCo. This notion goes beyond economic nationalism and can justify economic preferences at a supranational or local level [16].

Because of the development of multipolarity in the world, researchers in the field of international economics formulate the question whether a multipolar world order can provide security and prosperity for the international community, or

whether policies based on narrow national interests will prevail [6, p. 3-4]. The answer to this question is not unambiguous, for the emergence of a multipolar world is accompanied by an increase in the politics of economic patriotism and economic nationalism, including their extreme manifestations - trade wars. In particular, Professor Thomas Chantal of Cornell Law School (USA) closely links the formation of a multipolar world (emergence of new global states along with the existing hegemons) with the spread of economic nationalism, which creates challenges and threats, in particular, impedes international trade [17].

There is a contradictory situation in the global trading system, where countries claiming to be the new world trade leaders, in particular China and India, have a developing country status in WTO, which gives them preferential treatment in trade. In addition, these countries are actively pursuing a policy of economic nationalism, often contrary to the commitments they made when they joined the WTO.

The Chinese government is actively pursuing a policy of economic nationalism to protect its producers and promote the development of certain industries. International experts claim that China is violating its own WTO accession commitments. Such violations include, in particular, the adoption of the Innovative Development Plan for high-tech industries, the so-called new strategic industries, and the failure to implement international standards [18]. China's legislation allows the restriction of imports in order to promote the establishment of a certain domestic industry or to accelerate its development. China also continues to develop its own unique national standards in order to protect its companies from international competition. This policy was called "innovation mercantilism"[19]. While the ideology of economic nationalism is most commonly associated with the works of the 18th century German economist Friedrich List, contemporary scholars, given the development of multipolarity in world trade, also turn to its Chinese strand, Chinese developmentalism, whose author is considered to be Sun Yat-sen, one of the founders of the Republic of China and its first interim president [20]. Sun Yat-sen, like Western ideologues of economic nationalism, called on the state to play an active role in promoting economic modernization and industrialization. But in addition to recommending support for domestic industries through trade policy measures, he recommended supporting state-owned enterprises to develop modern industry, agriculture and infrastructure.

The policy of economic nationalism, including trade, is also pursued by the Indian government. India uses various tools to support exports, in particular, the creation of special trade and economic zones, recognized as incompatible with WTO standards prohibiting export subsidies [21]. To support both domestic production and exports, the Indian government provides a number of incentives in the form of direct subsidies and price support schemes, tariff concessions or preferential interest rates. In addition, up to 40% of all bank loans must be directed towards 'priority sectors', including agriculture, SMEs, education, housing, social infrastructure, renewable energy and exports. Also, Indian companies have preferences in public procurement procedures [22, p. 70-78].



While before the beginning of the 21st century, the policy of economic nationalism was predominantly spread among Asian countries, which successfully used their status as developing countries to get significantly more opportunities to support their own industrial development, then since the beginning of the 21st century, economic nationalism was at the core of the trade policy of many developed countries, which is demonstrated by the UK's withdrawal from the EU (31 December 2020), US President Donald Trump's review of the NAFTA agreement (2017-2021), and US withdrawal from TPP - TransPacific Partnership, which was a breach of US commitments to the WTO. The EU's new trade policy of open strategic autonomy [23] is also essentially a policy of economic patriotism, as it openly proclaims a tougher enforcement of the EU's own rights and interests.

Ukraine's trade policy in a developing multipolar environment: "the corridors of opportunity"

The development of multipolarity in the world trade is accompanied by processes that need to be taken into account in Ukraine's trade policy. These include the crisis of the World Trade Organization, the reconfiguration of mega-regional trade agreements, the spread of economic nationalism among world trade leaders and trade wars. Some researchers consider the combination of these factors as a window of opportunity to change their countries' trade policies. For example, international trade specialist Agneshwar Sen (India) believes that the current situation in the world trade "provides a powerful economic and strategic opportunity for India to comprehensively review and update its trade policy, taking into account Indian investment and industrial policy" [21]. However, this recommendation applies to large economies claiming leadership in the world trade. Professor Thomas Chantal (USA) believes that the world of renewed political and economic rivalry between competing geographical blocs "can provide maneuver space for developing nations to move away from a strictly open trade model to build domestic economic capacity" [17]. Less optimistic expectations of expanding maneuvering space for small economies in the conditions of the emergence of new leaders were expressed by Lee Kuan Yew, who noted that Singapore "can only try to maximize the maneuvering space that the major players leave", referring to the United States and China [7, p. 6].

Whether Ukraine is able to gain a "corridor" of opportunities in a new configuration of global trade that would allow this country to expand its economic potential depends on its trade policy, which is based on assessments of risks and opportunities in trade relations with "major players" in the world trade.

Table 1 presents data illustrating the volume and structure of Ukraine's trade with the main global players in 2019 and 2020. Today, the European Union is Ukraine's main trading partner, to which 37.8% of Ukraine's merchandise exports are directed and from which Ukraine receives 43.9% of its merchandise imports (based on 2020 data). At the same time, China became the largest importer of Ukrainian goods and the largest exporter of goods to Ukraine in 2020. At the same time, Ukrainian merchandise exports to the EU decreased by 10.2% compared to

the corresponding figure for 2019, mainly due to a 10.3% decline in agri-food exports, which grew for several previous years. Although the decline in exports to the EU was influenced by the reduced demand for imported food products in EU countries due to restrictions of food establishments, as well as the spread of "buy local" campaigns supported by local authorities and European governments under quarantine restrictions. This fact does not refute, but rather confirms the need for geographical diversification of Ukraine's exports. Thus, it is necessary to combine the integration into the European market with the development of trade relations with other countries with significantly increasing shares in the world trade.

Table 1
Ukraine's merchandise trade with world trade leaders in 2019-2020

Country	2019				2020			
	Export		Import		Export		Import	
	US\$ billion	% of goods exported	US\$ billion	% of goods imported	US\$ billion	% of goods exported	US\$ billion	% of goods imported
All countries	50.05	100	60.8	100	49.19	100	54.3	100
Out of them:								
USA	0.98	1.96	3.28	5.39	0.98	1.99	3.07	5.65
EU	20.75	41.46	25.01	41.13	18.6	37.81	23.86	43.94
China	3.59	7.17	9.2	15.13	7.1	14.43	8.32	15.32

Source: Foreign trade in goods by partner countries in 2019 and 2020 / State Statistics Service of Ukraine. URL: <http://www.ukrstat.gov.ua/>

With more than a third of Ukraine's gross domestic product generated from exports (39.0% in 2020), the strategic objective of economic policy is to increase Ukraine's presence in external markets. The loss of Russian Federation markets and reduced presence in CIS markets is only partly compensated by EU markets, given the existing technical barriers to trade and limited quotas for duty-free exports of agricultural products to the EU.

The shift towards multipolarity in the world trade opens up a "corridor" of opportunities for developing Ukraine's exports to Asian countries, which are the world leaders in terms of the volume and growth rate of imports - China, India, Malaysia, the Republic of Korea, Thailand, Vietnam and Indonesia. In contrast to the EU, where the average annual growth rate of merchandise imports over the period 2010-2019 was 1.7%, the average annual growth rate of merchandise imports of Asian countries over the period 2010-2019 was 4.0% and that of India and China, 7 and 4.5%, respectively [24, p. 78]. Unfortunately, today these prospects are associated mainly with the export of commodities. For example, in 2020 92% of Ukraine's total exports to China consisted of five main commodity groups: ores and concentrates (35.2%); cereals (26.1%); vegetable oil (15.7%); ferrous metal products (8.6%); and food industry waste (6.9%). Among industrial products, raw materials such as iron ores and concentrates, titanium and zirconium have the greatest prospects for export growth. Exports to China of domestic



turbojet engines, electric motors and generators, semiconductor devices, electrical transformers, and optical, photographic and medical devices and apparatus are growing dynamically, so although in these commodity groups Ukraine's imports from China exceed Ukraine's exports to China, Ukrainian manufacturers found their promising niche in the Chinese market. Analysis of the structure of Chinese agricultural imports shows that Ukraine has prospects to increase its presence on the Chinese market. This applies primarily to the soybean market, where Ukraine - as a net exporter of soybeans - can seek to replace some of the soybean exports from the United States, which were threatened as a result of the trade war between the US and China. In addition, Ukraine has a significant potential to export malt extract and finished food products made of flour and cereals to the Chinese market. Exports of pork and animal by-products are promising. At the same time, due to high non-tariff barriers to entry into Asian markets, which is especially characteristic of agricultural products, overcoming these barriers becomes a trade policy priority. Another priority is the promotion of more highly processed food products to Asian markets.

Trade Policy Priorities and challenges in the emerging multipolar world trade

Thus, taking into account the new configuration of the world trade, the strategic priorities of Ukraine's trade policy include both the development of trade with the EU under the EU-Ukraine Association Agreement and that of trade relations with new trade leaders, primarily China. Both priorities create not only new opportunities but also new challenges for the Ukrainian economy and trade.

Challenges of trade development with China

The development of trade with China brings significant risks of strengthening the raw-material orientation of Ukrainian exports and increasing import dependence on Chinese industrial products. A comparison between the commodity structures of Ukrainian and Chinese foreign trade clearly demonstrates their complementarity: China's demand for raw materials can be met by imports from Ukraine, while Ukraine's demand for manufactured goods can be met by China.

Given the high risks of deterioration of Ukraine's trade balance in case of trade liberalization with China, the creation of a FTA with China at the current stage of Ukraine's development is not advisable [25]. Analysis of the practice of FTAs with China shows that their conclusion is preceded by Bilateral Investment Agreements, which China concludes prior to the start of FTA negotiations.

However, when negotiating an investment agreement with China, we should take into account the risks associated with Chinese investments, which are especially relevant in the agro-food sector [26, p. 29-55]. Given these risks, the governments of some developed countries, in particular France and Australia, have introduced regulatory obstacles to limit Chinese investment in agriculture in their countries.



A particular feature of Chinese investment in the world's agri-food sector is the use of a dual strategy. On the one hand, Chinese investment is directed to less developed countries and uses the natural potential of these countries and their own technology to diversify the sources of food imports into China. On the other hand, a few Chinese companies with access to Chinese bank loans enter into merger and acquisition agreements and create partnerships with companies in developed markets. The products fabricated by such companies and then exported to China meet the changing demand for food from China's middle class. In addition, Chinese investors borrow new technologies in food processing and management. It is easy to understand that Chinese investors are interested in implementing the first strategy in Ukraine.

The Chinese Ministry of Agriculture has agreements with two government banks to provide financial support for foreign agricultural investment projects, namely the Export-Import Bank of China and China Development Bank. It should be noted that, in Ukraine in 2012 two loan agreements between the State Food and Grain Corporation (SFGC) and the Export-Import Bank of China regarding grain supply and imports of Chinese goods and services, proved to be problematic. SFGC and the Export-Import Bank of China agreed on a USD 3 billion loan to SFGC under state guarantees. Part of the loan in the amount of USD 1.5 billion was provided to SFGC for the purchase of grain (mainly corn) for further exports to China over 15 years with a Chinese SSC as intermediary. The other half of the loan (USD 1.5 bn) was to be spent by the Ukrainian corporation on imports of agricultural equipment and material and technical resources from China over a five-year period.

Ukraine received the first part of the loan, but did not receive the second one. After 2014, mutual claims began due to the partial non-payment by the Ukrainian side of the special preferential margin for each ton of grain crops (after the Chinese side refused to change its calculation method in the face of declining world corn prices), alienation of SFGC assets in favor of the bankrupt SJSC "Bread of Ukraine", intentions of the Government of Ukraine to include SFGC in the list of privatization, etc.

The main lesson from this loan is that lending and investment agreements with China should be handled with great care. For example, in infrastructure projects, the Chinese side always insists on hiring only a Chinese general contractor, in other words, on using Chinese materials and labor to support the Chinese industrial and construction sectors. This model of Chinese investment cannot be beneficial for Ukraine, as it is not aimed at developing Ukraine's production, nor at creating jobs for Ukrainians or national products with high added value.

New challenges and opportunities in trade with the EU

In the medium term, Ukrainian trade policy with the EU will be shaped by the new EU trade policy [23]. It is a new trade policy based on the Open Strategic Autonomy model, where "openness" means following the rules of global trade,



"strategic" is associated with linking trade to climate development goals and digital transformation, and "autonomy" demonstrates a strategy focused on making its own decisions and pursuing its own interests. Accordingly, the new EU trade policy sets three medium-term goals: green and digital transformation (the European Green Deal and the Digital Decade); shaping global rules for a more sustainable and fairer globalization; and stronger enforcement of own rights and interests. There are both significant risks to Ukraine's trade with the EU associated with the New Trade Policy of Open Strategic Autonomy and benefits of increased support for the implementation of the EU regulatory environment in the area of trade in manufactured goods and digital trade.

The biggest challenge stems from the EU's intention to take autonomous action by implementing the Carbon Border Adjustment Mechanism (CBAM) linked to the EU Emissions Trading System (EU ETS) [27]. CBAM provides for an import levy on EU imports of electricity, cement, aluminum, fertilizers and iron and steel products, depending on the emission content of the production and the difference between the EU ETS price and any carbon price paid in the producing country. The CBAM is scheduled to enter into force in January 2026, after a three-year transitional period. Imports from countries with EU-like carbon pricing schemes will be exempt from the duty. The EU intends to introduce CBAM gradually, starting with a few products. The greatest risks of export restrictions are associated with carbon-based domestic products - ferrous metals, cement, electricity and chemical products. According to a study conducted by Rabobank, the Netherlands [28], whose methodology is based on the analysis of export flows of these products of the countries that are their largest exporters to the EU, it was found that Russia, Turkey, Ukraine, India and China are likely to be most affected by CBAM. The challenge for trade policy is to agree on conditions and procedures for non-application of CBAM for Ukrainian producers.

The benefits for Ukraine of bringing Ukrainian legislation closer to EU law are envisaged in the new EU trade policy for Eastern Partnership countries, in particular partners with an EU DCFTA (Ukraine, Georgia and Moldova), supporting efforts to align more closely with the EU regulatory model, in particular regarding digital and green transitions. For these partners, efforts to incorporate EU rules could be accompanied by closer dialogue on their development and implementation and closer interaction with EU standardization organizations.

Currently (as of November 2021), there are two draft pieces of EU legislation under negotiation with stakeholders to regulate digital platforms in the EU - the Digital Services Act and the Digital Markets Act [29]. The new rules will better protect consumers and their fundamental rights online, provide fairer and more open digital markets for all and prohibit unfair conditions dictated by online platforms that established or may establish barriers to market entry. Given this focus of the new regulations, the harmonization of legislation on digital services

and digital markets with relevant EU legislation is an important guideline of Ukraine's trade policy.

Additional steps to facilitate trade, including through Conformity Assessment Agreements, were also declared. Thus, support for the conclusion of the Agreements on Conformity Assessment and Acceptance of Industrial Goods (ACAA) between Ukraine and the EU was declared. Ukrainian producers were waiting for this agreement for a long time. The "autonomy" principle of the EU New Trade Policy declares a "commitment to pursue own interests", which has signs of a policy of economic patriotism and may create a certain "corridor of opportunity" for the application of neo-protectionist measures also for the development of Ukraine's promising industries.

The strategic orientation of Ukraine's trade policy in WTO under the emerging multipolar world trade environment

The aim of trade policy is to reduce the asymmetry in the trade between Ukraine and its partners, which stems from the terms of Ukraine's accession to the WTO. First of all, all countries that gain WTO membership later than their trading partners have to negotiate with the latter regarding the access to their markets. This creates an asymmetry in the trade regimes of the "new" and "old" WTO members. Another factor deepening this asymmetry is the so-called "WTO-plus" commitments (agreements) for new members (referred to as RCEP "Recently Acceded Members") that are wider and stricter than those of "old" WTO members, especially former GATT members. The latter include the most developed countries of the world, which are Ukraine's main trading partners. WTO-plus commitments include, in particular, Ukraine's obligation to bind export duties. Generally speaking, WTO does not require its members to bind export tariffs (as opposed to stringent requirements to bind import tariffs). Other countries use export duties as a legitimate tool for their economic development - the freedom to impose an export duty ensures that with their raw material resources they can develop their own processing facilities and export products with a higher share of added value instead of exporting them to more developed countries. It was expected that the problem of asymmetric terms of trade between "new" and "old" WTO members would be resolved in the WTO Doha Round, multilateral negotiations aimed at resolving trade contradictions between developed post-industrial and developing countries (lasting since 2001), but the Round stalled. Therefore, an important long-term strategic objective of Ukraine's trade policy remains to work with groups of countries interested in reducing the imbalance between the level of members' commitments, especially with regard to agricultural goods.

Thus, the development of multipolarity in the world trade and the associated spread of economic patriotism in trade can be expected to open up a certain "corridors of opportunity" in the following directions:

– firstly, by moving "from a strictly open trade model" to a policy of economic patriotism in trade in order to "build up domestic economic potential", above all industrial potential. This will be facilitated by the introduction of a new



EU trade policy that declares the principle of autonomy, in other words, "commitment to one's own interests", which is quite in line with the policy of economic patriotism and may create a certain "corridor of opportunity" for the application of neoprotectionist measures also for the development of promising sectors of Ukrainian industry;

– secondly, the "corridor of opportunity" opens up for domestic exports to the new world trade leaders, but as a preliminary analysis shows, without the development of industrial capacity this corridor is rather narrow and remains mainly limited to raw material exports;

– thirdly, a WTO reform in a multipolar world trade environment could open up the possibility of reducing trade asymmetries between Ukraine and its trading partners.

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БАГАТОПОЛЯРНІСТЬ СВІТОВОЇ ТОРГІВЛІ: ВИКЛИКИ І "КОРИДОР МОЖЛИВОСТЕЙ" ДЛЯ УКРАЇНИ

Розглянуто тенденції розвитку світової торгівлі у бік багатопolarityності, що зумовлені зростаючим впливом нових лідерів, насамперед Китаю, і послабленням домінування традиційних трансатлантичних лідерів. Розвитку багатопolarityності у світовій торгівлі сприяють процеси регіоналізації торгівлі, особливо укладання мегарегіональних торговельних угод з урахуванням поточного розподілу влади у світовій торгівлі. Розкрито особливості регіональних торговельних угод, які укладають лідери світової торгівлі – США, ЄС та Китай. Наукова дискусія щодо ролі Регіонального всебічного економічного партнерства (RCEP) зумовлює висновок, що створення RCEP у наступні десятиліття спричинить формування у країнах Азії і Тихоокеанського регіону нового полюсу світової торгівлі, лідером у якому стане Китай. Найбільш дискусійним питанням у зв'язку із розвитком багатопolarityності у світовій торгівлі є майбутнє Світової організації торгівлі та принципу багатосторонності у торговельних відносинах, на якому базується СОТ. Проаналізовано виклики, які стоять перед СОТ у зв'язку з цифровізацією торгівлі, змінами клімату та пандемією COVID-19, причини і витоки кризи СОТ. Досліджено тенденцію поширення політики економічного патріотизму (націоналізму),

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що проявляється у торгівлі як політика протекціонізму, в умовах переходу до багатополярності у світовій торгівлі.

Розвиток багатополярності у світовій торгівлі супроводжується процесами, що мають бути враховані у торговельній політиці України. Чи зможе Україна отримати свій "простір для маневру" в умовах нової конфігурації світової торгівлі, що дозволив би наростити економічний потенціал країни, залежить від її торговельної політики, в основі якої – оцінки ризиків і можливостей у торговельних відносинах з "головними гравцями" світової торгівлі. Розвиток торгівлі з Китаєм створює суттєві ризики посилення сировинної орієнтації вітчизняного експорту та імпортозалежності від китайських промислових товарів. Суттєві ризики також містить укладання із Китаєм кредитних та інвестиційних угод. Особливо ризикованими є китайські інвестиції у сільське господарство і харчову промисловість, що спрямовані на використання природного потенціалу країн-реципієнтів і власних технологій для диверсифікації джерел імпорту продовольства в Китай. Формування торговельної політики України у відносинах з ЄС у середньостроковій перспективі відбуватиметься під впливом нової торговельної політики Відкритої стратегічної автономії ЄС. Найбільший виклик створює намір ЄС запровадити Механізм карбонового коригування імпорту (СВАМ), що передбачає імпортний збір на імпорт в ЄС електроенергії, цементу, алюмінію, добрив та виробів із заліза та сталі. Для України можливості цієї нової торговельної політики відкриваються завдяки задекларованій у ній підтримці країн Східного партнерства, що мають ПВЗВТ з ЄС, зокрема щодо цифрового та зеленого переходів. Завдяки принципу автономності, який закладено у нову торговельну політику ЄС та який передбачає прийняття рішень відповідно до власних стратегічних інтересів, що має ознаки політики економічного націоналізму, в Україні може бути створено певний "коридор можливостей" щодо застосування протекціоністських заходів для розвитку перспективних вітчизняних галузей промисловості⁴.

Ключові слова: багатополярність, світова торгівля, торговельна політика, регіональні торговельні угоди, економічний націоналізм

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