

**EFFECTS OF RUSSIAN – UKRAINIAN RELATIONSHIPS
DEVELOPMENT IN CONDITIONS OF REGIONAL ECONOMIC
INTEGRATION**

To assess an effect of various Russian – Ukrainian relationships models and to create adjusted macrostructural mid - range forecasts in conditions of post – soviet area regional integration we used modeling methods offered by F.N. Klotsvogom, these methods were developed on the basis of Macroeconomic Forecasting Institute (MFI) RAS and Economic Forecasting Institute (EFI), Ukraine research.

Various scenarios were analyzed:

- Ukraine won't join any groups on CIS area;
- Ukraine will belong to the free trade area of CIS (FTA CIS);
- Ukraine and Russia will join in Union;
- Ukraine will belong to Common Economic Space together with Russia, Belorussia and Kazakhstan, then Ukraine might join Common Economic Union (CEU);
- Ukraine will integrate into FTA of EU (eurointegration).

We made the following conclusions on the basis of research results.

If Ukraine does not participate in the integrations processes on the CIS area, the sectoral structure of its economy will be “frozen” – economic growth will shift into low gear because of export lack. FTA of CIS will influence neither Ukrainian foreign trade volume nor its economic growth and its economic structure. There will be a tiny economic effect for Ukrainian economy – annual 0.5% GDP runup.

Trade relations development, production cooperation and increasing of technological level will provide an annual 2.5% runup of common GDP of CES. A total accumulated effect of CES creation without Ukrainian participation for 2011-2013 is 900 bln\$ (in prices of 2010).

If Ukraine joins CES, it will have more than 0.5% GDP runup at the expense of trade effects. If Ukraine belongs to CES, it will have 6-7% GDP increase because of a common development strategy, strong cooperation relationships and technological level increase. Car - -production share in Ukrainian GDP will increase up to 9% in this case. The share of cars and equipment in total Ukrainian production will have reached 6% by 2030, and its part in Ukrainian export in CES – 20%. Development of cooperative relationships in aircraft industry will provide goods turnover in this field. Total positive effect of this variant of integration for Ukrainian economy for 2011-2030 is 219 bln\$ (in prices of 2010).

Eurointegration of Ukraine will decrease foreign trade volume within EEU

by 2,5%. EEU – members have an opportunity to minimize negative consequences of such a step – they will use protection measures, technical regulations and stop free trade with Ukraine. As a result EU countries' import will increase, but it won't balance increased export, Ukraine will lose up to 1,5% of GDP every year.

If Ukraine and Russia join, there will be a positive effect –5 % GDP increase, there also will be a positive change in production structure (the problem of a lop-sided resource – based economy will be solved), the level of investment activity, welfare and living standards will increase.

We should pay attention to the fact that for trade effects assessment we did not take into account the influence of non – tariff barriers, increased effectiveness of markets as a result of common antimonopoly policy and common regulations of labor migration. So the results should be considered as minimal value of possible effects of various Russian – Ukrainian integration models.