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EURASIAN UNION AND UKRAINE*

The article focuses on the Eurasian Union formation and advances arguments for Ukraine's participation in it, since it is essential for further science and technology development, transition of Ukraine's economy to the investment and innovation model of development, the preservation of its civilizational identity, the value system of Ukrainian people, and might secure a decent place in the world community.

Keywords: regional integration; Customs Union; Common Economic Space; Eurasian Union.

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ЄВРАЗІЙСЬКИЙ СОЮЗ І УКРАЇНА*

У статті розглянуто формування Євразійського Союзу і обґрунтовано думку про те, що участь у ньому України сприятиме її науково-технологічному розвитку, переходу економіки до інвестиційно-інноваційної моделі розвитку, збереженню цивілізаційної ідентичності, системи цінностей, яка притаманна українському народу і забезпечить йому гідне місце у світовому співтоваристві.

Ключові слова: регіональна інтеграція; Митний союз; Єдиний економічний простір; Євразійський Союз.

Табл. 2. Літ. 30.

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ЕВРАЗІЙСКИЙ СОЮЗ И УКРАИНА

В статье рассмотрено формирование Евразийского Союза и обосновано мнение о том, что участие в нем Украины будет способствовать ее научно-технологическому развитию, переходу экономики к инвестиционно-инновационной модели развития, сохранению цивилизационной идентичности, системы ценностей, присущей украинскому народу и обеспечивающей ему достойное место в мировом сообществе.

Ключевые слова: региональная интеграция; Таможенный союз; Единое экономическое пространство; Евразийский Союз.

Introduction. After the world financial crisis of 2008 the role of Asian states, particularly that of China and India as the global engines of the world economy, has strengthened. The rapid development of the Eurasian Union, evolved to meet the challenges of the global economy in Eurasia, attracted the attention of many states. These shifts in strength, according to forecasts, mean that the most influential economic, political, and military center of the world will be located in the Asia-Pacific region. So, Ukraine will have to maintain good economic relations with all the prospective leaders, which are ready to take the responsibility for the future of the world economy in general and the Eurasian, in particular. Consequently, *an active constructive cooperation with the Eastern partners is becoming one of the focuses of attention for Ukraine.*

It is evident that Ukraine is located geographically in Europe and is a country belonging to the largest continent called Eurasia. Regional integration processes between Ukraine and European countries, as well as those between Ukraine and Asian countries, are taking place in Eurasia.

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* The viewpoint expressed in this article does not necessarily reflect the opinion of the editorial team. Позиція автора статті може не співпадати з редакційною.

Most scientific research suggests that until recently regional integration in the post-Soviet space was largely declarative, but the Eurasian Customs Union, the latest initiative, appears more viable because of its better institutional framework, proven commitment to implementation and introduction of a system of rules harmonized with international norms and the WTO regime (Dragneva, 2012).

A. Cohen, Senior Research Fellow in Russian and Eurasian Studies and International Energy Policy in the Douglas and Sarah Allison Center for Foreign Policy Studies, makes a similar observation that high-level leadership, speed, large staff, and considerable funding set the Eurasian Union apart from past integration efforts (Cohen, 2013: 3).

Moreover, foreign scholars admit that "a new project for regional integration has been brought to life in the post-Soviet space at such a rapid pace that Jacques Delors and the founding fathers of the European Union would go green with envy" (Fix, 2012).

In this regard, Ukraine is to learn how to adapt successfully in the age of global changes, when the geoeconomic vectors of the world development are coming out onto priority positions. Under these circumstances, the main task for each state is to enhance the country's competitiveness by choosing the right integration path. Thus, the nature and the scope of the problem of *the elaboration of the new and improved algorithm of Ukraine's integration into the world economy, having become especially popular lately, is of high importance*. And emphasis here should be put on Ukraine's relations with Russia as the largest country of the CIS, endowed with a special status and advantages of a Euro-Asian state.

Latest research and publications analysis. The shifts in the leadership on the global level from "G7" to "E7" are viewed by V. Gerasymchuk (2013); geopolitical projects of the world leaders – by A. Sobolev (2013); accomplishments and prospects of the Eurasian union – in S. Glaziev's report (2013), in the studies of D. Efremenko (2013) and S. Besspalov (2013), A. Cohen's report (2013), briefing paper by R. Dragneva and K. Wolczuk (2012).

The objective of the study is to examine the ideological, historical, economic aspects of the Eurasian Union formation and to review the economic rationale for Ukraine's cooperation with the new regional integration organization.

Regional integration in the post-Soviet space: ideology, history, and economics. On October 22, 1994 N. Nazarbaev, the President of Kazakhstan, delivered his famous speech "The Eurasian Union: ideas, problems, prospects" in the Russian Academy of Sciences during the joint meeting of the Academy of Social Sciences, the Club "Realists", the Moscow intellectual and business club, Movement for peoples' creation in the name of life (Senezhskiy Forum), and the Institute of the social and political studies of the RAS (Club "Realists", 1995: 6–14). N. Nazarbaev underlined the importance of enlarging the Eurasian Union by initially including 5 post-Soviet states – Russia, Kazakhstan, Belarus, Kyrgyzstan, Tajikistan – and later Ukraine, Azerbaijan, Armenia (Georgia's) South Ossetia and Abkhazia as members.

Before proceeding, it is necessary to place the ideological factor in its proper context. It is known that eurasianism is a philosophic, political, cultural movement launched in the environment of the White Guards' emigration in the 1920s. Its main postulate is the combination of the "Russian Idea" with the values of the East.

The Eurasians place Russian nation at the heart of the Slavic civilization and put special emphasis on the equality of rights of various nationalities. Russian culture, being the core of eurasianism, is fundamentally humanistic because of the exceptional significance it attributes to the pursuit of justice which yields ongoing advantages, based on a preference for the effectiveness of society as a whole over the effectiveness of any individual firm; this is an essential precondition for collective survival and for the preservation of humanism (Delyagin, 2013: 73).

The ideology foundations were laid by F. Tyutchev (2007), D. Mendeleev (2008), K. Leontiev (2007), L. Gumilyov (1997), N. Trubetskoy (1995) and many others. ***The ideology basis is the successful mixture of spiritual, cultural, economic, and political relations between the people of the continent which has evolved due to the close cooperation and development over a long period of time*** (Troitsky, 2013: 99–101).

The Eurasians object the universality of the Roman-German civilization and the European centrism. They also oppose the view that only European and Western are considered to be significant and acknowledge the depth of Arab, Hindu, Persian, and Slavic paradigms. For them, the Roman-German civilization is just one out of many, neither better, nor worse. They argue there are no higher and lower cultures – there are different cultures.

For the Eurasians, Rus is the bearer of a distinctive cultural and historical type. This is a distinct Eurasian civilization, the continent-country possessing huge territory, from the Carpathians to the Pacific, serving as a bridge between Europe and Asia and belonging to neither of them (Gulevich, 2013: 12).

It is important to mention that many founders of the eurasianism were originally from Ukraine, among them geopolitician P. Savitsky (1997), musicologist P. Syvchinsky (2003), theologian G. Florovsky (1998). Thus, ***Ukrainians contributed greatly to the eurasianism development***.

As it has been mentioned, the Kazakhstan President was the first to raise the issue of the Eurasian ideology revival. N. Nazarbaev (2011) stressed that the Eurasian Union needs to be formed so that to include supranational bodies, common defence and currency, decision-making by a qualified majority, and binding force of adopted decisions for its member states. His ideas did not receive support from the late Russian President B. Yeltsin. The idea of the Eurasian Union was then embodied in the Eurasian Economic Community (EurAsEC), Customs Union and Common Economic Space. The next Russian President V. Putin put it quite eloquently: "This integration project for Eurasia is, without exaggeration, a historic milestone for all three countries and for the broader post-Soviet space. The road to this milestone was difficult and often torturous" (Putin, 2011).

For our purposes, it is sufficient to highlight some dates and events. On January 20, 1995 Belarus and Russia entered into the Agreement Establishing the Customs Union. Kazakhstan and Kyrgyzstan joined it in mid-1996 and Tajikistan in 1998. On February 26, 1999 the Agreement establishing the Customs Union and Common Economic Space was signed. The 1995 Customs Union transforms into the Eurasian Economic Community. The presidents of Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan signed the EurAsEC Agreement on October 10, 2000 in Astana. ***EurAsEC addresses a wide range of issues, placing an emphasis on economic cooperation and integration (with the ultimate goal of forming a common economic space and com-***

mon market mechanisms) and coordination of the members' approaches to integration into the global economy and trade. The priority areas for EurAsEC are transport, energy, agribusiness, labour migration (Chronology, 2011).

On July 1, 2011 the Customs Union members eliminated internal border controls. On July 1, 2012 the Common Economic Space was inaugurated; the Eurasian Economic Commission began its work. In 2015 the Eurasian Economic Union is scheduled to become fully operational (Cohen, 2013: 4).

It is quite clear from the major accomplishments that great progress has been made. Moreover, many well-known scholars, among them German expert Hannes Adomeit, underline that "the reality of the Customs Union and the vision of the Eurasian Union merely confirm Russia's clarification of its approach as codified more than a decade ago... The consistency of the Russian approach from Prime Minister Putin's medium-term "strategy" of October 1999 to Prime Minister Putin's Eurasian Union "project" of October 2011, as a comparison of the two programmatic statements shows, is indeed striking. This raises a question as to the policy implications for the EU as well as non-EU European countries" (Adomeit, 2012: 8).

As this section summary, let us quote V. Putin: "the CIS experience enabled us to launch a many-tiered, multispeed integration process in the post-Soviet space, and to set up much needed institutions such as the Union State of Russia and Belarus, the Collective Security Treaty Organisation, the Eurasian Economic Community, the Customs Union and finally the Common Economic Space (Putin, 2011).

The economic rationale for Ukraine's cooperation with the Eurasian Union. Having examined the historical, ideological and economic background of the Eurasian integration, we will focus on the economic aspects of Ukraine's development from historical perspective.

Ukraine was once one of the top 10 countries in the world: basically, as for the 1990s, machine-building had been the core of Ukrainian economy, with 360 factories organized in 20 specialized industrial sectors. ***The results of two-decade reforms are indeed unsatisfactory:*** industrial degradation is taking place. Back then, Ukraine had an advanced military-industrial sector, machine-building for heavy industry and power industry, rocket-building, aircraft industry, ship- and auto-building, locomotive, tractor, and machine-tool industries. Machine-building accounted for 31% of GDP (Vitrenko, 2013: 59).

The analysis of the twenty-year cooperation between Ukraine and the EU, the Common Economic Space (CES) confirmed that the development of the science component of Ukraine's science and technology space is maintained due to the relations with the CES in academia. In fact, the EU has not contributed to the science component of the science and technology space of Ukraine. At the same time, the development of the technology component is of local character which is explained by the loss of industrial science in the CES and insignificant impact of the EU foreign direct investment in Ukraine's industry modernization. The main consumers of high-tech goods are the CES countries. Finally, ***high-technology industries are being maintained thanks to tight cooperation between Ukraine and the CES*** (Radzievskaya, 2012).

Numerous national and foreign experts are engaged in examinations of the reforms results. For example, N. Vitrenko points out that back in the 1990s Ukraine accounted for 2% of the world GDP, and was 11% higher than the world average for

per-capita GDP, while by 2012, our country was producing only 0.2% of the world GDP. Per capita, Ukraine is 40% below the world average (Vitrenko, 2013: 59). Y. Pakhomov believed that the best and the soonest way out of the trap is to join the CES which is explained by tight cooperation with Russia, common history, religion, language, value system etc (Pakhomov, 2010).

Given that Ukraine's trade in goods share in all trade in goods and services in 2012 was 88.35%, we are now going to look at trade and economic relations between Ukraine and the EU, the CES in terms of trade in goods. The calculations of the integration coefficient is based on the working formula (Radzievskaya, 2012: 71): $k_i = \mathfrak{z}_{BT} / \mathfrak{z}_{3T}$, where k_i – the integration coefficient between Ukraine and the countries of the regional integration organization; \mathfrak{z}_{BT} – the changes coefficient, i.e. increase of the goods turnover between Ukraine and the countries of the regional integration organization (internal turnover); \mathfrak{z}_{3T} – the changes coefficient, i.e. increase of the total goods turnover between Ukraine and all the countries (external turnover).

During the analyzed period the trend towards the increase in Ukraine's integration coefficient with the CES countries, in other words, the trend towards Ukraine's integration with these countries is observed (Table 1). At the same time there is a trend towards the reduction of trade in goods of Ukraine and the EU countries (Table 2).

Table 1. Dynamics of integration coefficient in goods between Ukraine and the CES

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
k_i	0.91	0.89	1.03	1.043	1.003	0.98	1.013	0.91	1.12	1.14	1.032	0.95

Trend: $y = 0.0092x + 0.942$.

Calculations made by the author are based on the data provided by the State Statistics Service of Ukraine (www.ukrstat.gov.ua).

Table 2. Dynamics of integration coefficient in goods between Ukraine and the EU

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
k_i	1.063	1.063	1.056	0.93	0.96	1.064	0.97	0.94	0.95	0.98	1.009	0.97

Trend: $y = -0.0073x + 1.0439$.

Calculations made by author are based on the data provided by the State Statistics Service of Ukraine (www.ukrstat.gov.ua).

The most prominent economists, among them V. Ivanter, V. Geets, V. Yasinskiy, A. Shirov and A. Anisimov, agreed that Ukraine's joining the CES means that, owing to trade effects, with technological integration and the fostering of cooperation ties taken into account, the economic effect can be estimated to reach 6–7% of GDP by 2030. At the same time, the share of mechanical engineering in Ukraine's GDP is expected to increase from 6 to 9%. In addition, the share of machinery and equipment in Ukraine's total output is forecasted to reach 6% by 2030 and their share in Ukraine's exports to the CES' 20%. The fostering of cooperation in aircraft manufacturing will boost turnover in this sector. In the structure of Ukrainian exports to the CES, the share of aircraft equipment is expected to grow to 7% by 2030. The share of shipbuilding products in Ukrainian exports to the CES is forecasted to climb to 1.2%. Over the period of 2011–2030, the total positive effect of this integration option on the Ukrainian economy is estimated at 219 bln USD in 2010 prices (Ivanter et al., 2012: 41–42).

Thus, there exists a necessity to review the integration policy of Ukraine and to confront the problem not in the framework of a widely accepted approach viewed as the priority choice between European or Eurasian vector but in the context of the Eurasian continental integration, directed towards successive creation of a large-scale area comprising the Eurasian economic cooperation and transcontinental cooperation, while putting a special emphasis on Ukraine's prior integration with the CES countries.

In February 2010 the idea of Ukraine's joining the Customs Union was voiced for the first time. Hopefully, the arrangements agreed at the sixth Russia-Ukraine Intergovernmental Commission in December 2013 will foster successful strengthening of the Eurasian integration despite the current complications in the relations between Ukraine and Russia.

Conclusions. It follows from our research that the defence of the national interests (e.g., the civilization identity preservation, the science and technology development, the transition of Ukraine's economy to the investment and innovation model of development etc.) requires integration of Ukraine within the Eurasian continental space which presupposes primarily Ukraine's joining the Common Economic Space.

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Стаття надійшла до редакції 29.01.2014.