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ESCALATING CONFLICT IN THE EAST UKRAINE: SOCIO-ECONOMIC IMPACT

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Summary. In the article the author examined the impact of developments in Eastern Ukraine in its socio-economic situation. The characteristic effects and dangers are inherent to this period. Perspectives and recommendations for further regulation in the country.

Ключові слова: АТО, social and economic threats, escalation of the conflict.

The article reveals the impact of events in Eastern Ukraine on its socio-economic situation. This work gives the characteristic of consequences and threats which are inherent for this period. It is noted that emergence and development of the conflict in the east of Ukraine caused a steady deterioration of economic indicators of the development of Donetsk and Luhansk regions that resulted in the partial loss of assets. It is established that according to the issues of the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) 3627 people perished and 8447 got wounds since the beginning of armed conflict in the east of Ukraine. As a result, the total amount of economic losses of Ukraine through military operations in Donbas totalled more than UAH 30 billion.

The influence of an unstable situation in the eastern region on public finances and on the country's banking system has been considered. In particular, the negative effect of destabilization on public finances takes place through the channels, such as payments to the state budget; payments on debt to the state banks, by the suppliers of gas, electric power, etc.; narrowing of opportunities of the NBU for issuing hryvnia through the deterioration of the balance of payments indicators.

Destabilization of the situation in Donetsk and Luhansk regions led to strengthening of negative tendencies in industrial production. As a region produc-

es a quarter of the total industrial output in Ukraine, growth of conflict will result in the further acceleration of industrial production decline in this region and in the whole of Ukraine, which will become evident in the second half of 2014.

The article gives a list of social and humanitarian problems caused by the military operations in the east of the country including the main problems, such as emergence of internally displaced people in Ukraine, which quantity according to the official figures exceeded 200 thousand people; deterioration of a situation in labour market of Donbas and in general across Ukraine; reducing the sizes of the income.

Current situation in Russia is also stated as negative. The introduction of additional sanctions over the forecast period may increase the uncertainty of economic policy, capital flight, exchange rate volatility and further weakening of the ruble, which will have a detrimental effect on the level of trust and investment activity.

The article characterizes perspectives and gives recommendations in relation to the settlement of further situation in the country. Major reforms in this area include decriminalization of business; elimination of the institutional framework of the shadow economy in the region; institutional reforms aimed at protecting human rights; structural reforms that lay the foundation for future revival of Donbas.

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