

The transformation of the European economic environment under the impact of the war in Ukraine: An analytical assessment of key challenges and future development trajectories

Iryna Kravets

MPA, PhD in Economics, Assoc. Prof., Sozialprojekte Niederrhein, Germany
<https://orcid.org/0000-0001-5919-6560>

Valentyna Yakobchuk

PhD in Economics, Professor, Polissia National University, Ukraine
<https://orcid.org/0000-0003-2147-7994>

Introduction

Over the past decade, the Russian-Ukrainian war has emerged as a critical external driver of structural change in Europe's economic system. Since 2014, and especially following Russia's full-scale military invasion of Ukraine in 2022, the European economic environment has undergone profound and multidimensional transformations that extend far beyond short-term cyclical fluctuations. The war in Ukraine has constituted not only a major security crisis but also an additional exogenous shock to the European economic model, which had not yet fully recovered from the COVID-19 pandemic. It has accelerated structural changes across the domains of energy, finance, trade, industrial policy, the labour market and social policy. Taken

together, these developments are shaping a new configuration of Europe's economic space, increasingly defined by the logic of security, geo-economic competition and strategic autonomy.

The annexation of Crimea and the outbreak of the war in eastern Ukraine in 2014 constituted the first signal of the erosion of European stability in the aftermath of the 2008 global financial crisis. This assessment is corroborated in the analytical section of this paper through an analysis of the Economic Policy Uncertainty index (Baker et al., 2016, pp. 1593–1636). However, it was the events of 2022–2025 that transformed the Russian-Ukrainian war into a fundamental challenge to the entire system of European and global economic order.

The disruption of energy supply chains linked to Russia, the reconfiguration of trade routes, rising military expenditures, inflationary pressures and the intensification of social polarization have emerged as the key consequences of this transformation, as documented in reports by the European Commission (2025b), the Centre for Economic Policy Research (Federle et al., 2024, pp. 9–12), European Central Bank (Adolfson et al., 2022, pp. 5–7) and the World Economic Forum (2025).

To interpret these transformations, this study draws on contemporary strands of theoretical and applied economic and political economy research that conceptualize the growing interdependence of markets, state power, and security considerations. The geoeconomic approach articulated by Blackwill and Harris (Blackwill & Harris, 2016, pp. 34–36) conceptualizes economic instruments as tools of statecraft and strategic influence deployed under conditions of intensified geopolitical competition, in which efficiency-based criteria are increasingly subordinated to strategic and security imperatives.

This analytical perspective is complemented by the work of Nadin, Stead, Dąbrowski, and Fernández-Maldonado (Nadin et al., 2021, p. 795) on integrated, adaptive and participatory policy frameworks in Europe, which emphasizes resilience, cross-sectoral policy coordination and institutional flexibility as core responses to systemic shocks and structural uncertainty. At the same time, contributions by Knaap, Nedović-Budić, and Carbonell (Knaap et al., 2015, pp. 270–275) in the field of state and spatial planning in the United States and Europe underscore the reassertion of public authority in steering economic development and managing strategic sectors under conditions of crisis and post-crisis transformation. Taken together, these theoretical approaches support the argument that the European Union is gradually moving away from the paradigm of open multilateralism towards a hybrid economic model that combines market mechanisms, industrial policy and the securitization of economic relations. The socio-economic dimension of these transformations is no less significant. Forced emigration from Ukraine, structural shifts in labour markets, increased fiscal burdens, heightened socio-economic inequality and rising risks of social polarization pose long-term

challenges for European economies. According to Eurostat and the State Statistics Service of Ukraine, between 2022 and 2025 Europe experienced the largest population displacement since World War II (UNHCR, 2026, Regional data). Although this influx of migrants has led to additional short-term costs associated with social support, it has also created potential opportunities for the renewal and more efficient redistribution of human capital in the economies of recipient countries.

Particular attention should also be paid to the growing role of information and cyber-economic challenges. Cyberattacks, disinformation campaigns, and digital interference in financial and energy systems have become integral parts of modern economic confrontation, forcing European states to review existing approaches to digital security and critical infrastructure management. Recent assessments by the European Union Agency for Cybersecurity and the Council of Europe highlight the growing convergence between economic resilience, technological sovereignty and national security within the European political agenda.

Against this backdrop, the aim of this article is to provide a comprehensive analysis of the transformation of the European economic environment under the influence of the war in Ukraine over the period 2014–2025, with a particular focus on systemic challenges, structural changes and potential trajectories for future development. The study considers the following future scenarios for EU countries: adaptive differentiation, security-oriented consolidation and strategic economic reconfiguration. It also examines alternative development paths for both Ukraine and the European Union depending on the outcome of the war, namely a Ukrainian victory, a temporary truce, or an outcome unfavourable to Ukraine. This approach makes it possible not only to assess current trends but also to create an analytical basis for the formulation of long-term policies aimed at economic stability, post-war recovery and the integration of Ukraine as a key component of the future European economic and security architecture.

Materials and methods

The study is based on a combination of secondary quantitative and qualitative data and applies an analytical research approach in order to assess the transformation of the European economic environment under the impact of the war in Ukraine. The methodological framework integrates contemporary theories of political economy, such as geoeconomics, institutional analysis and statistical analysis, which allows for a comprehensive examination of systemic shocks, structural changes and emerging development trajectories of the European Union. Within this framework, particular attention is paid to the concept of geoeconomics, which provides a key analytical lens for interpreting the transformation of the European

economic environment. Geoeconomics refers to the use of economic instruments – including trade policy, energy supply, financial regulation and industrial policy – as tools of strategic power under conditions of intensified geopolitical competition. In the context of Russia's full-scale invasion of Ukraine, economic relations are no longer governed solely by considerations of efficiency and market optimization, but are increasingly shaped by security imperatives and risk management strategies.

In this regard, the study introduces the notion of a “geoeconomic development model” of the European Union, understood as a transition from a system based on deep global interdependence and cost minimization towards a model centred on resilience, diversification and strategic autonomy. Prior to 2022, the EU economy relied heavily on open markets, global supply chains and relatively cheap external energy resources. However, the war in Ukraine has exposed the structural vulnerabilities of this model and accelerated its transformation into a hybrid system in which economic policy is increasingly subordinated to security considerations, including energy independence, technological sovereignty and the protection of critical infrastructure

The empirical basis of the study consists of official macroeconomic and structural data from Eurostat, the European Commission, The Organisation for Economic Cooperation and Development (OECD, 2025), the World Bank, Ukrstat (State Statistics Service of Ukraine, 2026) and others. The dataset includes indicators of economic growth, inflation, labour market dynamics, fiscal balances, public debt, energy prices, trade flows and indices of economic uncertainty for the period 2014–2025, with a particular emphasis on the post-2022 phase, which reflects the accelerated transformations caused by the full-scale war in Ukraine.

In addition to statistical data, the study relies on analytical reports and strategic policy documents, including the World Economic Forum's Global Risks Reports for 2023–2025 (Elsner et al., 2025), official EU macroeconomic forecasts and materials related to industrial policy, energy security, economic governance and strategic autonomy. The study also employs the extrapolation method to identify trends in economic uncertainty and the strategic planning method to determine potential future scenarios for the development of the European economic environment: adaptive differentiation, security-oriented consolidation and strategic economic reconfiguration. These scenarios are constructed on the basis of observed policy trends, institutional constraints, and geopolitical conditions.

This integrated methodological approach enables a multidimensional assessment of the challenges facing the European economy and provides an analytical basis for policy-relevant conclusions on economic resilience, strategic autonomy and prospects for cooperation with Ukraine during and after the war.

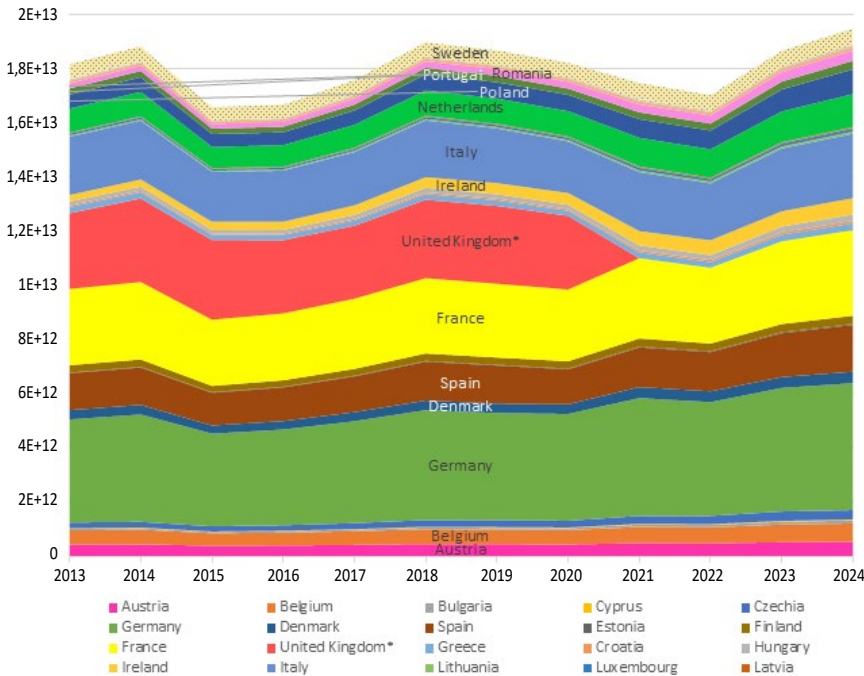
Results

Since 2014, the macroeconomic dynamics of the European Union have been characterized by several waves of crisis that have successively changed the trajectory of economic growth and undermined the potential for long-term development. The period from 2014 to 2016 was marked by the first geopolitical shock related to the annexation of Crimea and the start of the war in eastern Ukraine. Although the direct macroeconomic impact on the European Union cannot be attributed solely to the outbreak of the war in Ukraine, given that it was not the only factor behind the decline in EU GDP, the onset of the conflict marked the beginning of a gradual deterioration in investment expectations, accompanied by heightened geopolitical risks and increased economic uncertainty, particularly in the sphere of international trade. The introduction of the first sanctions against Russia (Council of the European Union, 2025a) coincided with the development of a strategy aimed at diversifying export markets for goods and raw materials. Together with the persistent sovereign debt problems of several southern EU-countries, these factors contributed to a deceleration of economic growth during the period 2014–2019 (Figure 1).

The next sharp negative shock was the COVID-19 pandemic in 2020, which led to the deepest economic recession in the EU since World War II, that is -5.6% of GDP in 2020 according to Eurostat and the World Bank's Open Data (World Bank Group, 2026). The recovery in 2021 was rapid but largely based on fiscal and monetary stimulus, making it vulnerable to subsequent challenges. The data in Figure 1, which show the dynamics of EU GDP structured by individual EU member states, confirm that the period after 2014 was characterized not by a sharp decline, but by a slowdown in growth dynamics in the EU. After the initial geopolitical shock associated with the annexation of Crimea and the start of the war in eastern Ukraine, EU GDP continued to grow in nominal terms, but the pace of growth slowed significantly in 2014–2016, reflecting the onset of a phase of heightened uncertainty.

The data in the figure also show the economic heterogeneity of EU member states and their corresponding vulnerability. The major economies, notably Germany, France, Italy and the United Kingdom, continue to account for the largest share of aggregate GDP and largely determine the overall trajectory of the EU's economic development. At the same time, the relatively subdued dynamics of some southern EU countries (e.g. Portugal and Spain) are evident. The decline in GDP in 2020 is clearly visible in almost all member states, confirming the systemic nature of the shock caused by COVID-19. The scale and synchrony of the decline distinguish the recession caused by the pandemic from previous shocks related to geopolitical tensions.

Figure 1. Dynamics of Gross Domestic Product of EU Member States, measured in current US dollars, 2013–2024



* Here: United Kingdom is included in the EU GDP prior to Brexit (including the transition period).

Source: authors' own work based on World Bank Group (2026).

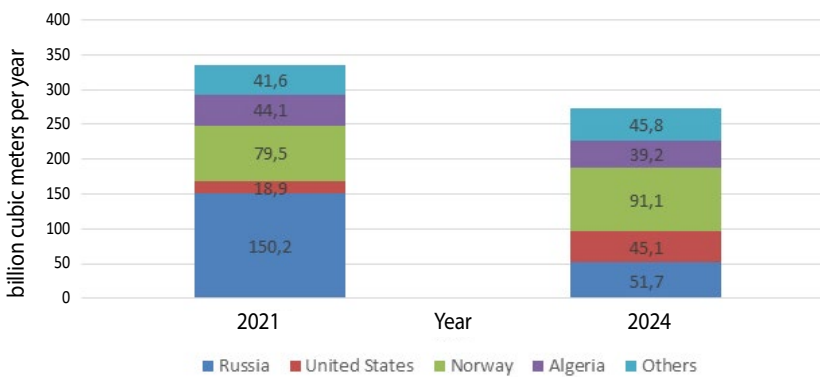
The subsequent recovery in 2021–2022 was driven by fiscal and monetary measures rather than a return to stable long-term growth fundamentals. The dynamics after 2022 point to a new phase of transformation in the European economic environment. Although aggregate GDP is recovering and even exceeding pre-pandemic levels, growth appears increasingly uneven and unstable. This reflects the cumulative impact of numerous cross-cutting shocks, the consequences of the pandemic, the renewed escalation of the war in Ukraine, energy price volatility and the restructuring of trade and supply chains. In this sense, Figure 1 visually reinforces the main thesis of the study: the war in Ukraine is not so much an isolated shock as a catalyst for long-term structural changes that are reshaping investment patterns, sectoral composition and future trajectories of the EU economy.

Russia's full-scale invasion of Ukraine in 2022 was a qualitatively new macroeconomic shock that combined energy, inflationary and geo-economic dimensions. It was at this point that the EU's GDP growth trajectory entered a phase of structural slowdown, reflected in subdued growth in 2023–2025.

In contrast to previous crises, such as the global financial crisis of 2008–2009 or COVID-19, the challenge facing the EU in connection with Russia's full-scale

military invasion of Ukraine has a clear geo-economic and security dimension. The combination of economic and security factors has forced the EU to rethink its development model, which until 2022 was based on a high level of global interdependence, prioritizing market efficiency and minimizing costs. Before the full-scale war began, the European economy was heavily dependent on imports of relatively cheap Russian energy resources, which was considered economically rational within the neoclassical model. In 2021, Russia accounted for approximately 40% of natural gas imports to the EU and about 25% of oil imports (Figure 2).

Figure 2. EU gas imports by country, billion cubic metres per year, 2021–2024



Source: authors' own work based on: Council of the European Union, 2025b.

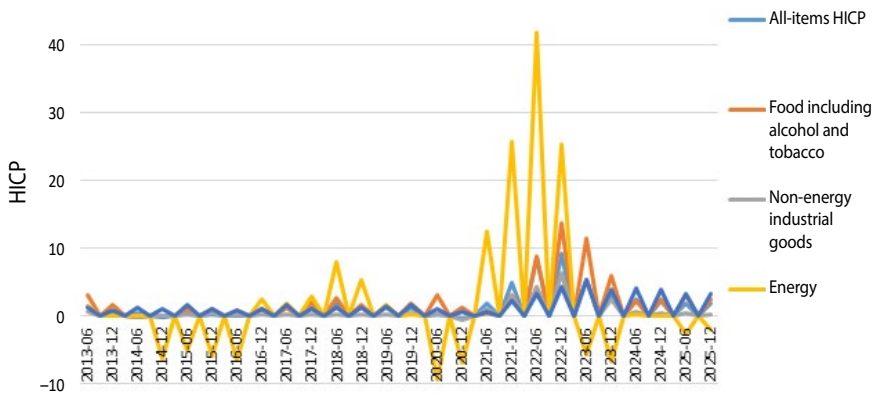
The data presented in Figure 2 illustrate a profound structural shift in the composition of EU gas imports between 2021 and 2024, directly reflecting the geo-economic consequences of Russia's full-scale invasion of Ukraine and the subsequent reorientation of European energy policy. In 2021, Russia was by far the dominant supplier of natural gas to the EU, accounting for approximately 150 billion cubic metres per year, which underscores the scale of the EU's pre-war energy dependence. By 2024, Russian gas imports had declined dramatically to about 52 billion cubic metres, indicating a sharp and deliberate reduction driven by sanctions, and strategic policy decisions aimed at enhancing energy security. This contraction represents not merely a cyclical adjustment but a structural geopolitical shift in the EU's external energy relations. At the same time, the figure shows a substantial increase in gas imports from alternative suppliers. Imports from the United States more than doubled between 2021 and 2024, reflecting the rapid expansion of liquefied natural gas (LNG) deliveries and the growing role of transatlantic energy ties.

Norway has further strengthened its position as a key player in the EU gas market and is characterized as a "relatively stable supplier", becoming the largest source of gas imports to the EU by 2024. Supplies from Algeria and other sources also remain

significant, confirming the EU's continued strategy of diversifying its energy portfolio. This rapid change in gas supply routes and partners can be interpreted as a direct response to increased geopolitical and security risks. While this reconfiguration has reduced the EU's strategic vulnerability to a single dominant supplier, it has also created new challenges, including higher import costs, greater vulnerability to global LNG market volatility, and infrastructure constraints. In this sense, the data in Figure 2 provide empirical evidence that the war in Ukraine has transformed energy dependence from a choice driven by efficiency into a central dimension of systemic economic risk management. Thus, the restructuring of EU gas imports confirms a shift from efficiency-driven energy dependence towards a security-oriented and risk-sensitive energy model.

The energy factor played a key role in the large-scale inflationary processes in the EU. Until 2021, inflation in the EU remained relatively moderate, reflecting weak aggregate demand and relatively stable energy prices. From 2021 onwards, and especially after Russia's full-scale military invasion of Ukraine in 2022, sharp volatility in gas, oil and electricity prices became the main source of inflationary pressure (Figure 3).

Figure 3. HICP Inflation in the European Union amid the War in Ukraine: Energy Dependence, Transmission Channels, and Uncertainty, 2013–2025



Source: authors' own work based on Eurostat (2026).

Energy prices directly shaped the dynamics of consumer inflation and were indirectly transmitted through rising production costs, particularly in energy-intensive sectors of the economy. In 2024–2025, the energy component remained a key source of uncertainty for inflation forecasts, a point repeatedly emphasized in analytical materials of the European Central Bank. Inflation driven by the energy shock had pronounced distributional effects. In 2022–2023, increases in the cost of living outpaced the growth of nominal wages, leading to a decline in real household incomes. In 2024–2025, the recovery of purchasing power remained incomplete due to the

inertial nature of price shocks. At the same time, persistently high energy costs negatively affected the price competitiveness of the EU economy, particularly in industrial sectors, constraining export potential compared with countries that have access to cheaper or more diversified energy sources. This indicates that inflation in the EU has become increasingly driven by structural and external factors rather than cyclical demand dynamics.

Between 2014 and 2025 EU fiscal policy also underwent significant changes under the influence of security-related and macroeconomic shocks. After 2014, defence spending gradually increased but remained restrained until 2021 amid fiscal consolidation. After 2022, a qualitative shift occurred: Russia's war against Ukraine triggered a large-scale and sustained increase in defence expenditures across EU countries, as well as substantial spending on military and financial support for Ukraine. In 2024, total defence spending by EU member states reached approximately €343 billion, indicating a long-term change in budgetary priorities. At the same time, governments expanded social programmes to mitigate the impact of inflation and the energy crisis on households and businesses. This, together with the legacy of the COVID-19 pandemic, sustained high levels of budget deficits and public debt. Although deficits gradually declined in 2024–2025, the debt burden remained elevated, particularly in southern EU countries, constraining fiscal space and increasing sensitivity to rising interest rates. This reflects a broader transformation of fiscal policy from a framework of discipline and consolidation towards one focused on stabilization and security-oriented intervention.

Russia's full-scale war against Ukraine has also placed a heavy burden on the social systems of European Union countries, primarily due to large-scale forced migration flows. As of 2024, approximately 6.8 million people had been registered as receiving temporary protection in EU countries (5,310,800 of whom were from Ukraine (UNHCR, 2026, Regional data). The financial consequences of this transformation are systemic. According to European Commission estimates, the costs associated with supporting Ukrainian refugees within the EU alone amounted to approximately €17 billion, not including macro-financial assistance to Ukraine and defence support costs. At the same time, beyond fiscal and social pressures, the inflow of Ukrainian refugees has had a significant impact on labour markets across the European Union. While the initial phase of integration has been constrained by language barriers, recognition of qualifications and skill mismatches, these challenges reflect broader structural adjustments within host economies. In many EU member states, particularly those facing demographic ageing and labour shortages, Ukrainian migrants represent an important source of human capital that can support labour market stabilization and economic resilience. Over time, their integration is facilitated through institutional support mechanisms, education systems and the development of socio-economic networks, which enhance employment opportunities and accelerate adaptation processes.

From a longer-term perspective, migration should therefore be viewed not only as a cost factor but also as a potential driver of labour market renewal and economic sustainability. In line with migration theory, the possibility of return migration remains significant, suggesting that the current redistribution of human capital may generate positive spillovers for both the European Union and Ukraine in the post-war period. At the same time, the war has been a catalyst for an energy shock that has forced EU governments to roll out large-scale compensation programmes for households and businesses. The total amount of fiscal measures aimed at mitigating the rise in energy prices is estimated at approximately €540 billion, which is one of the largest examples of countercyclical government intervention in the history of the EU (Sgaravatti et al., 2023).

Energy subsidies reveal the structural nature of the challenge: they rose from €213 billion in 2021 to €397 billion in 2022 and remained very high at €354 billion in 2023, reflecting strong fiscal inertia. IMF estimates show that the 2022 surge in fossil fuel prices increased the cost of living for European households by nearly 7% on average, with low-income households most affected, deepening inequality. Over the medium term, this poses a dual challenge for EU resilience, combining higher social spending with demographic ageing (European Commission, 2025a).

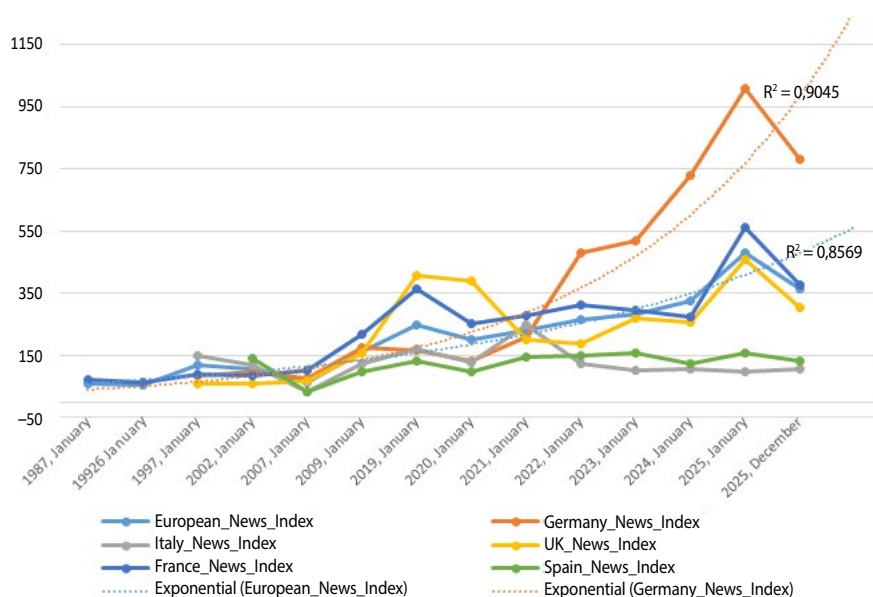
With the onset of Russia's invasion of Ukraine, the European Union also faced new political, economic and cyber-economic challenges that exposed the deep interconnections between social stability, economic security and digital resilience. Socio-economic pressures associated with the rising cost of living, together with the broader consequences of the war, are increasingly translating into political risks – most notably societal polarization and uneven support for EU foreign policy. The cyber threat environment in EU countries has changed significantly over the past decade, elevating cyber-attacks to the level of economic warfare. The ENISA Threat Landscape 2024 report, published by the European Union Agency for Cybersecurity, reports more than 11,000 cyber incidents in 2023–2024, targeting mainly the public sector, transport and financial services (ENISA, 2024). Disruptions in these closely linked sectors have significant knock-on effects, increasing transaction costs and embedding “cyber risk costs” into corporate economic behaviour strategy, which limits investment and innovation.

In response, the European Union has accelerated the strengthening of its regulatory framework for digital resilience. NIS2 Directive: securing network and information systems, created in 2022 and implemented in 2024, expanded mandatory cybersecurity obligations across critical sectors, while the Digital Operational Resilience Act (DORA), applicable from 17 January 2025, harmonized ICT risk management in the financial sector. Alongside the Critical Entities Resilience Directive, these measures reflect a strategic shift from cost efficiency towards systemic reliability. The war in Ukraine has thus acted as a catalyst for reasserting digital sovereignty and

embedding cyber resilience at the core of European economic governance under conditions of heightened geopolitical and internal stress.

From the above, we can conclude that the war in Ukraine has exposed the strategic vulnerabilities of the EU's economic model, in particular by turning energy dependence into a major source of socio-economic risk and a factor in increasing macroeconomic instability. These circumstances have significantly increased economic uncertainty in all European countries, exacerbating existing social pressures and strengthening the link between geopolitical tensions, economic security, and sustainability. This dynamic is clearly reflected in the Economic Policy Uncertainty (EPU) for major European economies and the United Kingdom. Since 2022, the index has shown a marked and sustained upward trend, with particularly strong growth observed in Germany and in the aggregate European news-based index (Figure 4).

Figure 4. Economic uncertainty in Europe and selected European countries based on the Economic Policy Uncertainty (EPU) index, 1987–2025



Source: authors' own work based on Economic Policy Uncertainty (2026).

The level of economic uncertainty in 2024–2025 exceeds that observed during both the global financial crisis and the COVID-19, underscoring the uniqueness of the war as a shock that combines economic, geopolitical and security risks. The highest EPU values are recorded in Germany (the EU's key industrial economy and the country most dependent on the pre-war energy model), which helps explain the scale of state intervention and anti-crisis measures undertaken there. Therefore, rising

economic uncertainty should be interpreted not as a temporary fluctuation but as a structural feature of the EU's ongoing economic transformation.

The rise in economic uncertainty is closely linked to the structural transformation of the EU energy sector. The nearly threefold reduction in imports of Russian gas between 2021 and 2024, alongside a rapid increase in supplies from the United States, Norway and other sources, marked a shift towards a more expensive but significantly more secure energy supply model. This transition became one of the main drivers of inflationary pressures, heightened volatility in commodity and financial markets, and increased expected uncertainty, all of which are reflected in the dynamics of the EPU index. In response to the energy shock and elevated uncertainty, EU member states substantially expanded the role of fiscal and regulatory policy. Large-scale support packages for firms and households, notably Germany's anti-crisis measures amounting to approximately €200 billion, served not only as tools of short-term macroeconomic stabilization but also as mechanisms for managing social and political risks. In this context, persistently high EPU levels function not merely as indicators of crisis intensity but also as explanatory factors behind the EU's gradual departure from a neoliberal paradigm in favour of a more active and strategic role of the state in the economy.

At the same time, by 2024 the European Union had implemented an unprecedented sanctions regime against the Russian Federation. As already mentioned in this study, restrictive measures had been imposed on more than 2,700 individuals and legal entities (Council of the European Union, 2025a). The combination of sanctions and elevated economic uncertainty has effectively precluded a return to the pre-war model of economic relations and reinforced long-term structural shifts. Persistently high EPU values between 2023 and 2025 indicate a transformation not only of current economic conditions but also of the expectations of economic agents. Businesses, investors, and governments increasingly prioritize resilience, diversification and security considerations over cost minimization, a shift that is institutionally reflected in the activation of EU industrial policy, including the adoption of the European Chips Act and the relaxation of state-aid rules.

Thus, the war in Ukraine constitutes a deep systemic exogenous shock whose consequences for the European Union's economy are long-lasting and structural. The dynamics of the Economic Policy Uncertainty index confirm that the EU has entered a phase of structural uncertainty associated with the transition towards a new geo-economic development model. The shift from a logic of economic efficiency to a logic of security, the expansion of the state's role and the pursuit of strategic autonomy are shaping a new development trajectory in which stability is achieved not through cost minimization but through the reduction of systemic risks and the strengthening of economic resilience. Unlike the crises of 2008–2009 and the COVID-19 pandemic, the consequences of Russia's full-scale invasion are persistent and complex, combining

economic, geopolitical and security factors. Prolonged economic uncertainty, the restructuring of energy chains and increased defence and social spending signal an irreversible change in the European development model and significantly limit the applicability of traditional forecasting approaches. In this context, we have identified the following scenarios for interpreting the possible trajectories of the European Union's further development.

Scenarios for the development of European Union economies

1. Adaptive differentiation.

The adaptive differentiation scenario envisages the preservation of internal heterogeneity within the European Union, with increased asymmetry in economic development between countries and regions. According to this logic, Member States adapt to the consequences of war and geo-economic fragmentation at different speeds and with different instruments, depending on their fiscal space, energy structure and institutional capacity. In theory, this scenario echoes the concept of a “multi-speed Europe”, which has been discussed since the 1970s within the theory of differentiated integration (Schimmelfennig et al., 2014). In economic terms, this means that the northern and western EU countries are recovering faster, while the southern and some eastern European economies remain in a mode of structural adjustment. Under this scenario, the EU retains common markets and institutions, but without a radical strengthening of supranational coordination. The risk is a gradual deepening of economic fragmentation and social inequality, which could undermine the long-term political cohesion of the European Union.

2. Security-Oriented Consolidation.

The second scenario, security-oriented consolidation, assumes that the war in Ukraine accelerates the transformation of the European Union into a more centralized and coordinated economic actor, driven by security imperatives. In this case, economic policy is increasingly subordinated to strategic objectives, such as energy security, defence readiness and protection of critical infrastructure. Historically, this trajectory resembles post-war European reconstruction in the late 1940s and early 1950s, when economic integration was explicitly linked to security concerns through mechanisms such as the Marshall Plan and the European Coal and Steel Community. From a theoretical perspective, this scenario aligns with Keynesian-institutionalist (Keynes, 2007, pp. 112–115) of crisis-driven state expansion. Under security-oriented consolidation, the EU strengthens common fiscal instruments, coordinates industrial and defence policies, and relaxes traditional competition rules for strategic sectors. However, this model also entails trade-offs, including higher public debt, increased regulatory intervention and potential efficiency losses in the private sector.

3. Strategic Economic Reconfiguration.

The third scenario, strategic economic reconfiguration, represents the most transformative pathway. It assumes that the war in Ukraine acts as a historical turning point leading to the deliberate construction of a new European economic model centred on strategic autonomy, technological sovereignty and geoeconomic competitiveness. This scenario is grounded in contemporary geoeconomic theory, notably the work of Blackwill and Harris (Blackwill & Harris, 2016), which conceptualizes economic instruments as tools of strategic power in an era of intensified geopolitical rivalry. Empirically, it is supported by the EU's shift towards active industrial policy, the expansion of strategic investment programmes and the prioritization of resilience over cost minimization. Strategic economic reconfiguration implies a long-term reorientation of growth drivers, deeper integration of security and economic planning, and the repositioning of Europe within a fragmented global economy. While potentially enhancing systemic resilience, this trajectory requires substantial political consensus, sustained investment and acceptance of higher short-term adjustment costs.

Alternative Scenarios for Ukraine and Europe

1. Scenario of a Ukrainian Victory.

Ukrainian victory would create conditions for large-scale post-war reconstruction and integration, structurally comparable to post-war Western Europe. For the EU, this would reduce long-term security risks and allow Ukraine to become a driver of economic growth, particularly in energy, agriculture and defence-related industries.

2. Scenario of a Temporary Truce or Frozen Conflict.

A temporary ceasefire or a frozen conflict would lead to a prolonged state of geopolitical uncertainty without a definitive resolution to the war. Under such a scenario, economic and security risks would remain high, limiting investment and slowing the reconstruction process. The European Union would maintain high levels of defence spending and continue to provide financial support to Ukraine for the sake of overall security in the region, operating in an environment of constant instability and fragmented economic relations.

3. Scenario Unfavourable to Ukraine.

An outcome unfavourable to Ukraine would represent a systemic shock to the European security order, undermine international norms and reinforce global fragmentation. Europe would face prolonged militarization, heightened uncertainty and structurally lower growth prospects.

In all scenarios, the war in Ukraine has irreversibly changed and will continue to change the trajectory of Europe's development. Economic policy can no longer be

separated from security considerations, and sustainability has become a fundamental principle of the European model. Europe's future will depend not on restoring the pre-war status quo, but on its ability to manage uncertainty, review strategic priorities and integrate Ukraine into a renewed economic and security structure.

Conclusions

This study demonstrates that the war in Ukraine has become not merely another external disturbance for the European Union, but a systemic and long-term exogenous shock that has accelerated the transformation of the European economic model. Unlike previous crises, its effects combine macroeconomic, geopolitical, energy, social and security dimensions, thereby reshaping the foundations of economic governance in Europe. The empirical evidence presented in this article confirms that the EU is moving away from a model based primarily on efficiency, cost minimization and deep external dependence towards one structured around resilience, diversification and strategic autonomy.

The analysis shows that this transformation is most clearly visible in four interconnected areas: the restructuring of energy dependence, the persistence of inflationary and fiscal pressures, the rise of structural economic uncertainty, and the growing integration of security considerations into economic and regulatory policy. In this sense, the war has not only intensified existing vulnerabilities, but also redefined the hierarchy of policy priorities within the EU. Energy security, industrial policy, critical infrastructure protection and digital resilience are no longer supplementary policy areas, but central components of the Union's future development model.

At the same time, the study indicates that the consequences of the war are unevenly distributed across member states, reinforcing internal differentiation within the EU. This asymmetry increases the risk of fragmentation, but also creates pressure for stronger coordination at the supranational level. The future trajectory of the European Union will therefore depend on its capacity to reconcile national diversity with common strategic objectives, especially in the fields of fiscal policy, industrial development, defence and labour market adaptation.

Particular importance should be attached to the socio-economic dimension of these changes. The migration of Ukrainians to EU countries has created immediate fiscal and social challenges, yet it also represents a structural source of labour market adaptation and human capital renewal. In the longer term, the interaction between refugee integration, return migration and post-war reconstruction may become one of the key channels linking the future development of Ukraine and the European Union.

Among the scenarios examined in this article, strategic economic reconfiguration appears to be the most transformative and analytically convincing trajectory. It best reflects the observable shift towards a security-oriented, state-supported and strategically

coordinated economic order. Although this path entails substantial costs and political constraints, it also offers the greatest potential for strengthening long-term resilience under conditions of continued geopolitical instability.

Overall, the war in Ukraine should be understood as a turning point in the evolution of the European economic environment. The central conclusion of this study is that the future of the European Union will depend not on restoring the pre-war status quo, but on its ability to institutionalize a new balance between economic efficiency and security, while integrating Ukraine into a renewed European economic and security architecture.

References

- Adolfson, J., Kuik, F., Magdalena, E., Schuler, T. (2022). The impact of the war in Ukraine on euro area energy markets. *ECB Economic Bulletin*, 4. https://www.ecb.europa.eu/press/economic-bulletin/focus/2022/html/ecb.ebbox202204_01~68ef3c3dc6.en.html [accessed: 24.12.2025].
- Baker, S.R., Bloom, N., Davis, S.J. (2016). Measuring Economic Policy Uncertainty. *The Quarterly Journal of Economics*, 131(4), 1593–1636. <https://doi.org/10.1093/qje/qjw024>
- Blackwill, R., Harris, J.M. (2016). *War by Other Means: Geoeconomics and Statecraft*. Harvard University Press. <https://doi.org/10.2307/j.ctt1c84cr7>
- Council of the European Union. (2025a). *Sanctions against Russia*, <https://www.consilium.europa.eu/en/topics/russia-s-war-against-ukraine/> [accessed: 10.01.2026].
- Council of the European Union. (2025b). *Where does the EU's gas come from?* <https://www.consilium.europa.eu/en/infographics/where-does-the-eu-s-gas-come-from/> [accessed: 10.01.2026].
- Economic Policy Uncertainty. (2026). *Monthly EPU Indices for 22 Countries*, https://www.policyuncertainty.com/all_country_data.html [accessed: 10.01.2026].
- Elsner, M., Atkinson, G., Zahidi, S. (2025). *Global Risks Report 2025*, World Economic Forum, 15.01.2025. <https://www.weforum.org/publications/global-risks-report-2025/> [accessed: 10.01.2026].
- ENISA. (2024). *ENISA Threat Landscape 2024. July 2023 to June 2024*. https://www.securitydelta.nl/media/com_hsd/report/690/document/ENISA-Threat-Landscape-2024.pdf [accessed: 11.01.2026].
- European Commission. (2025a). *Energy subsidies report shows progress in 2023*, European Commission, 29.01.2025. https://energy.ec.europa.eu/news/energy-subsidies-report-shows-progress-2023-2025-01-29_en [accessed: 10.01.2026].
- European Commission. (2025b). *The cost of EU Member States' proximity to the war*, European Commission, 17.11.2025. https://economy-finance.ec.europa.eu/cost-eu-member-states-proximity-war_en [accessed: 20.12.2025].
- Eurostat. (2026). *HICP (Harmonised Index of Consumer Prices) – monthly data (annual rate of change) (1997–2025)*. https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_manr_custom_19665835/default/table [accessed: 10.01.2026].
- Federle, J., Meier, A., Müller, G., Mutschler, W., Schularick, M. (2024). *The Price of War*. CEPR Discussion Paper, no. DP18834. <https://cepr.org/publications/dp18834> [accessed: 20.12.2025].
- Keynes, J.M. (2007). *The General Theory of Employment, Interest, and Money*. Palgrave Macmillan.

- Nadin, V., Stead, D., Dąbrowski, M., Fernandez-Maldonado, A. (2021). Integrated, adaptive and participatory spatial planning: trends across Europe. *Regional Studies*, 55(5), 791–803. <https://doi.org/10.1080/00343404.2020.1817363>
- Knaap, G.-J., Nedović-Budić, Z., Carbonell, A. (Eds.). (2015). *Planning for states and nation-states in the U.S. and Europe* (pp. 259–497). Lincoln Institute of Land Policy.
- OECD. (2025). Resilient Growth but with Increasing Fragilities. *OECD Economic Outlook. Volume 2025, Issue 2*, https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-2_9f653ca1-en.html [accessed: 10.01.2026].
- Schimmelfennig, F., Leuffen, D., Rittberger, B. (2014). The European Union as a System of Differentiated Integration: Interdependence, Politicization and Differentiation. *IHS Political Science Series*, 137.
- Sgaravatti G., Tagliapietra, S., Trasi, C., Zachmann, G. (2023). *National fiscal policy responses to the energy crisis*, Bruegel, 26.06.2023. <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices> [accessed: 10.01.2026].
- State Statistics Service of Ukraine (2026), <https://stat.gov.ua/uk/publications> [accessed: 10.01.2026].
- UNHCR. (2026). *Ukraine Refugee Situation*, The Operational Data Portal, <https://data.unhcr.org/en/situations/ukraine> [accessed: 11.01.2026].
- World Bank Group. (2026). *GDP (current US\$) – European Union*, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=EU> [accessed: 10.01.2026].

The transformation of the European economic environment under the impact of the war in Ukraine: An analytical assessment of key challenges and future development trajectories

Abstract

This paper analyzes the transformation of the European economic environment under the impact of the Russian–Ukrainian war between 2014 and 2025, demonstrating that the war represents not a cyclical crisis but a systemic exogenous shock to the European Union's economic system. The study examines key macroeconomic and socio-economic effects, including the 2022 energy shock, inflation, economic uncertainty, and labour market adjustments related to migration flows. The results reveal an asymmetric impact across EU member states and increasing risks of internal fragmentation. The findings indicate an accelerated shift of the EU towards a geoeconomic development model based on resilience, strategic autonomy and the integration of economic and security policies.

Keywords: systemic shock, geoeconomic transformation, European Union economy, economic policy uncertainty, energy security transition, strategic autonomy, war-induced structural change, European transformation under stress

Author Contributions

Conceptualization: I.K., V.Y.

Methodology: I.K., V.Y.

Formal analysis: I.K.

Investigation: I.K.

Writing – original draft: I.K.

Writing – review & editing: I.K.

Visualization: I.K.

Supplementary Materials

Not applicable.

Funding

This research received no external funding.

Ethics Approval Statement

Not applicable. The study used publicly available secondary data and published sources and did not involve human participants.

Informed Consent Statement

Not applicable.

Data Availability Statement

The study is based on publicly available secondary data and published sources, which are cited in the article and listed in the references.

Declaration of Generative AI Use

No generative artificial intelligence tools were used in the preparation of this manuscript. The authors used DeepL to improve the language and readability of the manuscript. They subsequently checked and revised the text and accept full responsibility for the content of the published article.

Acknowledgments

Not applicable.

Conflict of Interest

The authors declare no conflicts of interest.