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Volume 1 / Issue 1

KOS Journal of Business Management

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Economy of Survival and Renewal Case of Ukraine

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Received: September 12, 2025; **Accepted:** September 16, 2025; **Published:** September 18, 2025

Citation: O Lesyk-Laikari. (2025) Economy of Survival and Renewal Case of Ukraine. *KOS J Buss Manag.* 1(1): 1-2.

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1. Abstract

Three years of Russia's full-scale invasion has faced Ukraine's economy unprecedented shocks, yet it has also demonstrated remarkable resilience. This paper examines how war has simultaneously damaged devastating losses and local management created opportunities for innovation, reform, and structural transformation. Drawing on recent macroeconomic data, institutional assessments, and international aid trends, the paper explores Ukraine's evolving economic security, its vulnerabilities, and strategic directions for post-war recovery and integration into the European economy.

2. Keywords: Economy, Management, Security, war, Recovery, Integration, Ukraine, EU

2. Introduction

In the 21st century, economic security has evolved into a multidimensional concept, closely tied to national sovereignty, social stability, and global integration. For Ukraine, economic security cannot be separated from its geopolitical context. Ongoing aggression of Russia, combined with internal challenges such as corruption, shadow economy activity, and fiscal inefficiencies, has elevated economic resilience to a top priority in national strategy. At the same time, Ukraine's aspirations for European integration, coupled with support from international partners, have opened both challenges and opportunities for systemic reform and modernization. Let's assume attempts to analyse Ukraine's economic resilience under wartime conditions, focusing on structural vulnerabilities, international support, and strategies for long-term recovery.

If to define economic security in the Ukrainian context it would refer to a state's ability to ensure sustainable growth, efficient resource use, and resilience to internal and external

shocks. In Ukraine, this involves macroeconomic stability including fiscal discipline, effective monetary policy, and stable financial markets; energy independence - reducing dependence on Russian energy and diversifying supply sources. Food security - sustaining agricultural exports while meeting domestic needs. Shadow economy reduction - combating corruption, tax evasion, and capital flight. Geopolitical resilience - adapting to sanctions, trade restrictions, and military disruption. These dimensions illustrate why economic security is inseparable from national security in Ukraine's case.

3. Geo-economics Challenges and Consequences

Bad peace is always better than good war. What is the difference between economy and war economy? A normal peacetime economy includes guidance by market forces, consumer demand, and long-term growth. Resources are allocated across diverse sectors in industry, services, agriculture, etc. Priorities are given to efficiency, innovation, trade, and improving living standards.

The war economy is different. The state redirects most resources toward military production and survival needs. Civilian industries may be converted to support defense for example car factory making tanks, in the library space amateurs construct models of drones or implement other useful ideas. Rationing, price controls, and government intervention often dominate. Priorities given to national defense, sustaining the military, and ensuring basic supplies for the population.

The full-scale invasion in 2022 devastated Ukraine's economic infrastructure. GDP collapsed by ~30% in 2022, while resources were redirected to sustain military expenditures. Industries, labor markets, and supply chains suffered massive disruption, embedding Ukraine in a war economy model. The destruction of industrial hubs in eastern Ukraine, occupation of resource-rich regions, and mass displacement of labor have all reshaped economic geography. Urban centers like Kharkiv, Mariupol, and Severodonetsk witnessed near-total industrial collapse, while safer western regions became new economic hubs for displaced businesses. Western Ukraine also has resources, but the policy of the government before invasion hasn't invested enough for the development, even though it was always a pro European part of the country.

The energy of Ukraine was vulnerable, because it was historically dependent on Russian gas. Ukraine has faced energy weaponization through supply cuts and infrastructure sabotage. This has highlighted the urgency of diversifying into renewables and integrating into European energy markets.

Before the invasion and strong influence of prokremlin agents all over the country, the shadow economy was estimated at 35-40% of GDP (legacy of the Soviet system), Ukraine lost substantial fiscal capacity, especially critical during wartime. Russia did not want to let Ukraine out of its zone of influence even during the time of independence. Hidden losses undermine reforms, weaken investor confidence, and inflate the tax burden on accommodating firms.

Known as Europe's breadbasket, Ukraine's agricultural exports have been disrupted by Black Sea blockades. This affects domestic revenues and contributes to global food insecurity, especially in vulnerable regions of Africa and Asia.

4. Crisis Responses and Development Trajectories

Strategic responses and emerging opportunities arise for Ukraine more bright during invasion of the enemy. Some of them to mention are European integration and institutional reform, digital transformation and logistics adaptation, international support and agricultural distribution, etc.

The EU-Ukraine Association Agreement and candidate status represent historic steps. Integration offers access to financial support, markets, and governance frameworks though reforming the rule of law and tackling corruption remain prerequisites.

The rollout of digital transformation and innovation of Diia digital services and IT exports illustrates how Ukraine has leveraged technology to strengthen governance and business

resilience under wartime conditions. The IT sector remains a critical driver of growth.

Despite war disruptions, agriculture continues to perform strongly. Logistics networks have adapted through production relocation, local manufacturing, and new export routes.

Significant international support and financial stabilization got special attention, as donor support exceeding \$145 billion, including IMF and EU packages, has underpinned social spending, stabilized inflation, and sustained the financial system. However, heavy reliance on aid also risks debt accumulation.

Ukraine's post-war reconstruction, even though war is still in progress, is estimated at \$524 billion and offers opportunities for modernization. A green transition via renewable energy, sustainable infrastructure, and digital governance could anchor long-term resilience and attract foreign investment.

Despite resilience, systemic risks remain long-term risks considering rising public debt due to aid reliance, migration and brain drain of skilled labor, enduring corruption and weak institutions, ongoing military conflict prolonging fiscal stress and sinking investment.

These risks highlight the need for reforms that ensure resilience is not only reactive but sustainable.

5. Conclusion

Ukraine's wartime experience demonstrates that economic resilience is both a survival mechanism and a foundation for future growth. War has exposed vulnerabilities but also created momentum for digital transformation, institutional reform, and integration with Europe.

To secure its economic future, Ukraine must pursue short-term stability through fiscal mobilization and targeted aid; medium-term adaptation via digitalization, agricultural resilience, and logistics reform; long-term transformation through green energy, reconstruction, and institutional modernization.

Ukraine's struggle for economic security mirrors its struggle for sovereignty. A resilient economy, rebuilt on reform and innovation, can serve as the cornerstone of Ukraine's democratic and European future. The moral weight of defending democracy at such a cost gives it a claim to being one of the world's strongest democratic examples.

The future might show that Ukraine became the world's leading democracy. Let it be!