



UKRAINE: FROM COUNTERING AGGRESSION TO RECOVERY AND DEVELOPMENT

Prof. Dr. Vasyl YURCHYSHYN,
the Director of Economic and
Social Programs,
Razumkov Centre



Kyiv 2022

UKRAINE: FROM COUNTERING AGGRESSION TO RECOVERY AND DEVELOPMENT

Through its courageous fight for independence, Ukraine has accelerated global awareness of the priorities of human development and the importance of protecting freedom and justice. It has adjusted priorities, and partnerships, encouraged the creation of renewed alliances and institutions, and strengthened acceptance of the values of civilisation, by the world community.

On the 24th of February 2022, Ukraine turned a page in the global history of mankind. Whilst previously playing minor roles in world politics and economy, the country has now become one of its leading actors. The events in Ukraine have essentially divided all countries of the world into two major parts. The criteria of this division are, on the one hand, – how a country responds to aggression, how much it is ready to help a partner country and maintain tough sanctions against the aggressor, and on the other hand, – how much a country remains «indifferent» to the unprovoked aggressive actions of one country against another or even accepts the excuses of the aggressor.

The victorious fight of Ukraine against Russian aggression has become a politically important stabilising factor and will further contribute to the security and territorial integrity of many countries, and thus will arise as an important factor in peaceful world development.

Failure of optimistic hopes for development. The world came into 2022 with certain optimistic expectations, because the previous year, despite new pandemic waves, had shown the possibility of an accelerated recovery of the leading countries and consequently, the global economy in general. There were hopes that after two years of coronavirus restrictions, the world economy would finally be able to make up for losses, restore pre-crisis «normality»¹ and transform accumulated challenges (digitalisation, ecology, artificial intelligence) into systemic benefits².

However, positive expectations were shattered by Russia in late February 2022. The large-scale military aggression on Ukraine by the «fraternal» country, radically transformed the world political, economic, security, and humanitarian map, divided world history into «before» and «after», raised the issue of war

and peace to a new level in human civilisation. At the same time, the courageous defence by Ukrainians of their own country from the very first days, which was supported by all democracies of the world, re-illuminated the place of Ukraine in the world community, and proved the sincerity and justice of the country's civilised choice in favour of recognized human values³.

Today, as this publication is prepared, while hostilities in Ukraine are still ongoing, there are different estimates of economic losses of Ukraine due to aggression. However, even if estimates differ, they all have a catastrophic dimension – the collapse of real GDP will be 30-50% compared to the previous year⁴. The tragedy of Ukraine will be multiplied by the loss of thousands of lives, the destruction of hundreds of towns and villages, and the forced relocation of millions of citizens.

¹ Impact of the coronavirus pandemic on the global economy – Statistics & Facts. – <https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy>.

² The world in 2022. Back to the Future? – https://essay.ispionline.it/?page_id=2963.

³ Aron H., Holland E. Beyond the «End of History»: Nationalism, Liberalism and the War in Ukraine. – <https://www.iai.it/en/pubblicazioni/beyond-end-history-nationalism-liberalism-and-war-ukraine>.

⁴ Torkington S. Ukraine's economy will shrink by almost half this year, says World Bank. – <https://www.weforum.org/agenda/2022/04/ukraine-economy-decline-war>.

The war has had a tragic impact not only on Ukraine; it has had a crisis effect on the whole world: politically, economically, and humanitarily. The first wave of influences covered European countries and their economic environments. Then, due to the destruction or restriction of value chains and production and logistics networks, it had a negative impact on the leading Asia-Pacific economies – Japan, South Korea, Singapore, and Australia. Additionally, the generated wave of inflation brings risks of slowing global economic growth and even stagflation.

The interconnectedness of the modern world is reflected in the fact that even small countries can have a significant impact on the global political, economic and humanitarian environment. Thus, the fight of Ukraine for freedom and independence has encouraged many countries around the world to reconsider national and international priorities, to determine more clearly the path of their own development and the level and importance of protecting freedom and justice.

Neither, as a result of the war in Ukraine, does the world economy feel safe and balanced. First of all, this is due to the global supply shock – energy resources, metals, grain, food – a significant share of world exports of all these products was supplied by *russia* and Ukraine. This consequently led to the rapid rise in world prices for major consumer goods, as well as to the threat of shortages and loss of welfare⁵.

Civilisational awareness. Russian propaganda has made great efforts to present aggression in Ukraine as a local «special operation.» This has happened based on the background of contradictions and weakening partnerships between the leading countries of the world during recent years, which manifested itself in the following:

- ✓ economic needs have increasingly supplanted and are displacing the principles on which the democratic world is built;
- ✓ weakening of Atlantic unity. Even the EU, which from the very beginning of its existence has unequivocally and consistently maintained partnerships with the United States, by strengthening collective European security, democratic values and human rights, is now increasingly speaking of its own «independence» and «autonomy»;
- ✓ intensification of attempts to form a new world order, increasingly aggressive «criticism» of the strategic direction of human development, based on the principles of democracy and human values, support for the growth of aggressive authoritarianism.

The fight of Ukraine against russian state aggression has given a strong impetus to the world regarding the unacceptability of all such aggression. This, in fact, accelerated the formation of two civilisational groups – democratic and autocratic ones. If before the war the competition between democratic and autocratic countries was rather rhetorical, today some countries will no longer be able to hide behind «neutrality».

However, broad international solidarity and condemnation of the military invasion have shown that the civilised world has recognised Ukraine as a country to which the natural values of freedom and independence are inherent, and which is ready to make great sacrifices for them. From the very beginning of the aggression, the United States, Great Britain, Japan, the Republic of Korea, Poland, the Scandinavian countries and the Baltic countries have clearly decided to support Ukraine by all available means in its fight.

In turn, the actions of Ukraine have strengthened the awareness and acceptance of the world community of civilisational values, which are accepted ideologically, but are not always fully implemented in practice. Indeed:

- ✓ democracy, the free choice by the nation of its path and the right to its own destiny, despite some weakening in the modern world, remains steadfast and worth fighting for;
- ✓ unacceptability of aggression by the world democratic community, which

⁵ Chaney E. Ukraine's War: The Economic Impacts. – <https://www.institutmontaigne.org/en/blog/ukraines-war-economic-impacts>.



recognised the aggression as a «red line», the crossing of which is a crime against humanity;

- ✓ inadmissibility of violation of recognised borders due to politicised or manipulative reasons;
- ✓ solidarity and support – military, economic, financial, humanitarian – by peacefully and democratically-minded countries to those civil societies that have chosen the path of creating an independent country and are ready to defend such a choice.

In search of a way to rebuild Ukraine.

Ukraine in its own reconstruction can not wait until the end of the war, which, according to many experts, may last for years. Therefore, the «Marshall Plan» for Ukraine should be developed and implemented taking into account not only the needs of peaceful construction of a new Ukraine, but also the tasks of the current and ongoing military resistance to the aggressor. For Ukraine, the risks of aggressive attacks by *russia* remain high even for Ukrainian regions, geographically more remote from *russia* and therefore the reconstruction strategy should be based **not on peace basis but on security foundation**. An important component of any such plan should be to strengthen the civilian environment by defence and security structures, which includes military bases or missions of leading partner countries.

Today, not only in Ukraine, but also in other civilised countries and institutions, there is a constant search for a strategy and a model of recovery and assistance to Ukraine, which has already suffered and continues to suffer from russian aggression. The complexity of this task is determined not only by the scale of losses and the necessary resources for recovery.

Since Ukraine has clearly decided and embarked upon the European vector of development, and on June 23-24, at the EU Summit, a decision was made to grant Ukraine the status of a candidate for the EU, the country must shape the programs and projects of the new economy and the new society in such a way that they would immediately fit

into European institutions. This gives hope that the process of rebuilding the country will be faster, thanks to the already announced and expected broad assistance of the world community.

During the reconstruction period, Ukraine will have to solve a number of tasks, the combination of which may not be easy. Thus, *on the one hand*, Ukraine will experience the aggressive intentions of a dangerous neighbour for many decades to come. In such conditions, the economic readiness of domestic and international entrepreneurs will be extremely limited. *On the other hand*, the country must immediately create a competitive economic and investment environment with strong exports of goods and services, which, at the same time, will create new well-paid jobs.

However, finding competitive niches is not an easy task. Furthermore, today this may even be critical for Ukraine, which directs the lion's share of its resources to fight the invader. At the same time, it seems that Ukraine has already gained a number of «fixed» niches in the world economy, which gives reason to hope for expanding the presence of the country in the international division of labour, if it properly uses assistance from the world community.

Ukraine is the world's fourth largest producer and exporter of agricultural goods. A significant reduction in the supply of grain on world markets, as a result of aggression, will lead to higher world prices for grain, as well as provoke increased inflationary pressures in general. Rising grain prices will have a very negative impact on food markets as a whole, especially in less developed emerging countries. However, in the medium term, while preserving its territory, Ukraine will be able to significantly increase its contribution to global agricultural and food security.

Agricultural losses, including reducing exports of wheat, corn, and sunflower oil to foreign markets and increasing the cost of logistics chains (due to deteriorating conditions and even a blockade of maritime transport), as well as a significant increase in food prices will require protective measures

to free up supplies of Ukrainian goods to world markets. So far, the Western world has not shown readiness to use force scenarios to unblock Ukrainian ports.

Ukraine receives systematic support from partners, which helps to minimise (as much as possible) the economic losses from aggression. In May 2022, leading countries made decisions that will definitely support domestic exporters and strengthen the economy of Ukraine. Thus, on May 9, the United States suspended tariffs on steel imports from Ukraine for a year. Earlier, the United Kingdom prematurely abolished all duties and quotas on Ukrainian products. Also in May 2022, the European Parliament supported the abolition of EU import duties on all Ukrainian exports for a year. Canada (also in May) initially stopped anti-dumping duties of 77% on all metallurgical products from Ukraine, and a few days later the Prime Minister of Canada announced the abolition of all trade duties on Ukrainian goods for a year.

The influence of Ukraine on the world security system. The courageous resistance of Ukraine has prompted other countries to critically evaluate their own pre-war positions and to have a clearer understanding of values and paths of development. Thus, the choice of the majority of Europeans between a reliable security system, which is embodied by the United States and the need for which became pellucid in the fight of Ukraine against russian aggression, and the policy of «non-provoking» the aggressor today is largely decided in favour of the former. This also promotes closer cooperation between democratic countries.

Another example of security strengthening is the situation with the AUKUS alliance, which has supported Ukraine since the earliest days of the full-scale war. The determination and unity of the AUKUS member states in counteracting the aggression against Ukraine has become an eloquent signal to China, which does not hide its claims to islands and territories in the South China Sea region (primarily Taiwan). It is important to recall that the United States, Europe and the largest economies of Asia, including Japan, South Korea, Singapore, and Australia, quickly imposed tough sanctions against *russia*, which was an expressive

signal to China about the inadmissibility of aggressive actions in the region.

We emphasise that the fierce opposition of Ukraine to the aggressor, including the opposition invigorated thanks to the support of partner countries, has had a positive impact on short-term territorial claims decisions in the South-East Asia region and has become a politically important stabilising factor not only in Europe but also in remote regions. Before the war, the risks of escalating conflict in many parts of the world seemed very real. However, the potential threats of the military choice to resolve conflict situations around a number of countries or their individual territories have in fact been neutralised by the international solidarity of support for the defence of Ukraine.

«Ukrainian factor» in Europe and in the world. The aggression of *russia* has «adjusted» the European vision and identified the importance of maintaining political unity for the EU. Moreover, their involvement in defending democracy and freedom in Ukraine and thus countering the global military threat reaffirmed the need of the EU countries to maintain a secure alliance with the United States.

Given that Europe is one of the world's leading actors, the current situation and its choice of action have a truly global dimension. Whilst the fight of Ukraine against russian aggression only more clearly highlighted the contradictions in relations between the United States and China (the United States have undoubtedly supported and have been helping Ukraine, China prefers diplomatic rhetoric), for the European Union the events related to the aggression were largely decisive for practical confirmation / rejection of values and priorities of the democratic world:

- ✓ despite internal contradictions, the EU countries almost unanimously condemned the aggression, identified with the main allies, launched extensive programs of military, economic, social and humanitarian support to Ukraine;
- ✓ the aggression of *russia* against Ukraine, contrary to certain negative expectations, consolidated the position of the EU, created conditions (and then

implementation) for the formation of a rather tough anti-russian and anti-aggressive policy, implemented consistent sanctions (to a lesser extent in the energy sector), which essentially created a new economic and security environment in Europe;

- ✓ the ideas of the «independence» of Western Europe from the United States, which have been actively promoted in recent years (including under the influence of the «hybrid» policy of *russia*), in both economic relations and the security system «NATO without the United States», have been significantly revised. At the same time, the EU countries (and especially the countries of Central and Eastern Europe – CEE) have recognised the importance and reliability of NATO with the United States keeping the leading roles;
- ✓ following the example of the United States, Great Britain, and Japan, the EU countries have given an unequivocal signal regarding the prevention of military aggression as a means of resolving interstate disputes. This did not only temporarily ease tensions around other «disputed» territories, but also underscored the need for proactive political dialogue, while respecting the territorial integrity of all countries.

The aggression against Ukraine, which is far from being over, has led to far greater transformations in the European economy than in any previous crisis period, including the coronavirus period⁶. It is not yet known in which direction Europe will be built, but today there are grounds to affirm that⁷:

Europe has become stronger for its own defence (including its readiness for NATO expansion, with the integration of Finland and Sweden),

- ✓ Europe has become less energy dependent, primarily from the politicised proposal of authoritarian *russia*,

- ✓ Europe has become more balanced in its choice of strategic economic partners,
- ✓ Europe has become more cohesive in understanding and defending democratic and human values,
- ✓ Europe has become more «meticulous» in the choice of moral leaders. Conformist «peaceful» proposals of some EU countries were not accepted by European society, which perceived them as manifestations of political uncertainty and moral weakness⁸.

Strategic implications for Europe. These directions of updating the ideological foundations of policy are mainly strategic and of a long-term perspective. Of course, their implementation will be combined with short-term challenges and decisions aimed at overcoming these challenges or turning them into opportunities. Thus, the strategic consequences of countering the aggressor, which, however, require urgent current courses of action, include:

- ✓ significant changes for EU countries will take place in value chains – there will be a rise in price, including rises resulting from new energy sources. For many businesses this will mean the loss of international competitiveness;
- ✓ strengthening regulatory measures in international trade due to the need to protect against unfair access of unfriendly countries to goods and products of technological or dual-use;
- ✓ investment reorientation resulting from the outflow of investment from *russia*. If the outflow of investments can be partially offset by investing in CEE countries, the search for energy sources may lead to accelerating the implementation of alternative energy projects. In both cases, Ukraine can be a suitable partner in the renewal of the European investment space;

⁶ Smith E. Russia's war in Ukraine means there'll be no return to normality for Europe's economy. – <https://www.cnn.com/2022/04/12/russia-ukraine-war-means-there-ll-be-no-return-to-normality-for-europe.html>.

⁷ Cohen R.S. Europe After the Ukraine War. – <https://www.rand.org/blog/2022/03/europe-after-the-ukraine-war.html>.

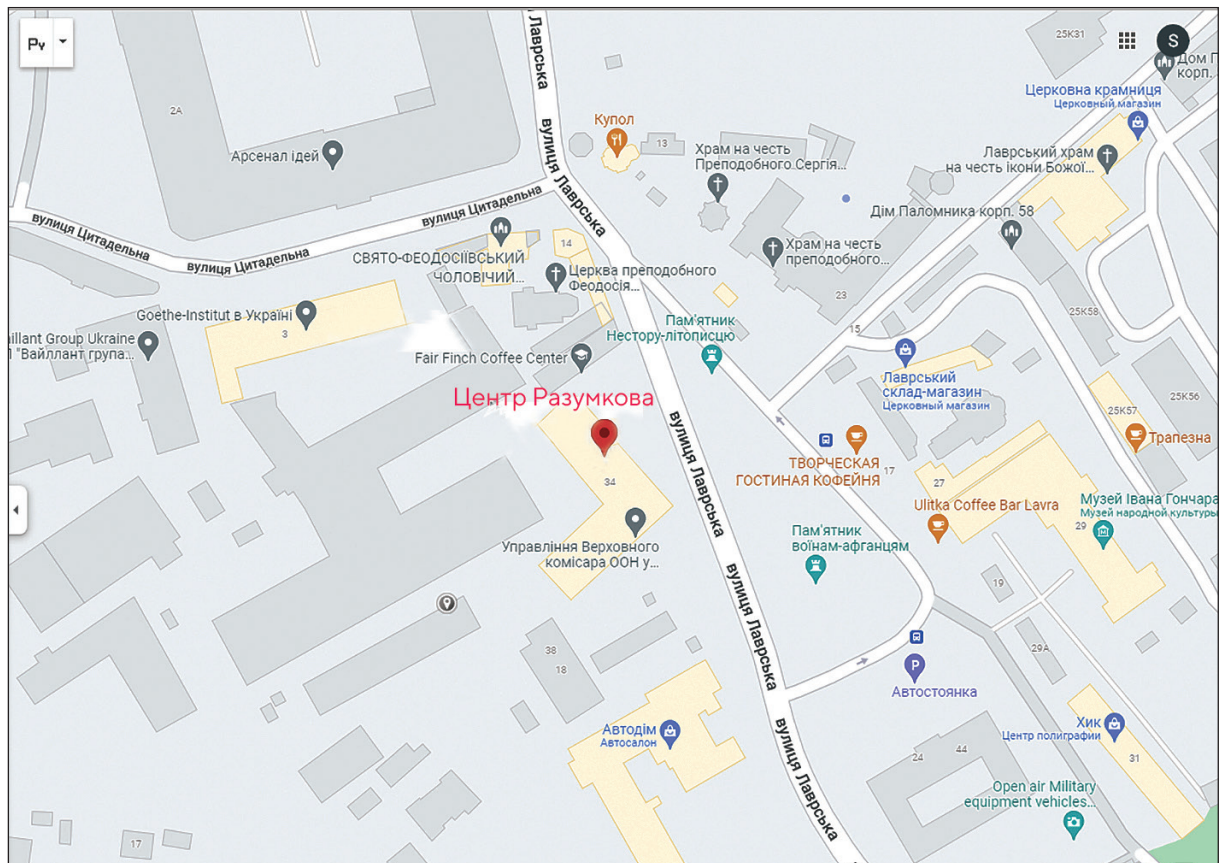
⁸ Grygiel J. Russia's War Has Created a Power Vacuum in Europe. – <https://foreignpolicy.com/2022/05/05/ukraine-russia-germany-europe-power-vacuum-war>.

- ✓ the extremely vague position of NATO regarding adequate assistance to Ukraine will inevitably weaken the confidence of the European population in the ability of NATO to reliably defend itself⁹. At the same time, strengthening European security will be increasingly associated with the Allied Partnership between the United States and the United Kingdom. This will be particularly important for the CEE countries, as well as for Ukraine, where such a partnership already exists;
- ✓ The cost of war will be reflected in both humanitarian and economic losses and will be largely determined by the duration of hostilities. For EU countries, this may be associated with «fatigue» from the

necessity to provide assistance and shelter. How quickly such «fatigue» will dominate in Western democracies will allow the assessment of their commitment to human values.

It should be emphasised that Ukraine, by its own example of the fight for freedom and independence, has contributed to the awareness of many countries around the world of the priorities of human development, and the importance of protecting freedom and justice. Ukraine has strengthened the acceptance of civilisational values by the world. This concerns first of all the affirmation that democracy, human rights, free choice of the nation in its own way remain steadfast and worthy of the fight for them.

⁹ The war in Ukraine raises new questions for EU foreign policy. – <https://reliefweb.int/report/world/war-ukraine-raises-new-questions-eu-foreign-policy>.



Address

01015, Kyiv, 16 Lavrska Str., 2nd floor

Telephone: (38 044) 201-11-98

Fax: (38 044) 201-11-99

e-mail: info@razumkov.org.ua

Web: www.razumkov.org.ua