

# Post-War Socialization of the Economy: Ukrainian and European Security

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## Abstract

The large-scale war in Ukraine affected not only its socio-economic condition, but also the development of European countries and their security system. The purpose of the article is to define post-war socialization and develop directions for building a new security system in Ukraine and Europe to overcome the consequences of the war. General scientific methods were used for the research: the method of analysis, synthesis, systematization and comparison. The article proposes directions for the post-war revival of Ukraine and new elements of the European security system. The practical recommendations of the article can be used by the government of Ukraine, as well as by European institutions in the post-war period.

**KEY WORDS:** *socialization; post-war; security; Ukraine; European countries; digitalization; challenges*

## 1. Introduction

The full-scale war that began in Ukraine on February 24, 2022 was a challenge to the entire European security system and the world security system. It has affected all aspects of social and economic development of Ukraine. Its influence is felt not only in Ukraine, but also in European countries, which have received many refugees and also have now the war near their borders.

The war in Ukraine caused many problems related to security issues in Europe. These are the demographic crisis, the death and injury of people, leaving many Ukrainian citizens homeless, the migration crisis, the economic crisis, the environmental crisis [1-3]. All these consequences must be overcome by building a new model of post-war socialization of the economy, which is able to meet the above challenges.

Since February 2022, a number of articles devoted to Russian aggression in Ukraine and the transformation of the European security system have already been published. In particular, the authors [4-6] note the main problems that acutely arose in the EU with the beginning of the full-scale war in Ukraine and the direction of changes in Europe's foreign policy. However, from a scientific point of view, the issue of defining post-war social development in Ukraine and European countries remains unresolved.

The aim of this research is to investigate how the socialization of the economy changed during the war, to identify the main signs of post-war socialization and to suggest promising areas for economic reconstruction and rehabilitation of the security system for Ukraine and other European countries.

Research methods are based on general scientific principles and fundamental theories of economic theory, the theory of globalization. The methodological basis of the study is static method of analysis.

The information base of the study will include statistics from the official web-sites, international indices and ratings, scientific publications of foreign and Ukrainian authors, other Internet resources.

## 2. Investigation Result

From the point of view of global socialization, the war in Ukraine actualized many global challenges, such as migration and economic crisis, energy and food problem, social asymmetry and population poverty. These challenges are relevant not only for Ukraine, which is suffering from the war, but also for Europe and other countries of the world due to the significant number of refugees from Ukraine, the cessation of economic activity and the export of certain goods to other countries of the world, in particular food.

Armed Conflict Location and Event Data Project reported more than 10,000 deaths in Ukraine since the war

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began till July [7]. More than 10 million Ukrainians (it is 25% of the population) left their homes, including 6.4 million who are individual refugees from Ukraine recorded across Europe [8]. On the one hand, this is an increased burden on the economic system of European countries and their social security. On the other hand, this is the replenishment of the labor market of European countries and the loss of the labor market of Ukraine. Among European countries, the largest number of refugees from Ukraine is currently registered in Poland and Germany (Table 1).

Table 1.

Individual refugees from Ukraine, August 2022 [8]

Country	Individual refugees from Ukraine	Refugees from Ukraine registered for Temporary Protection or similar national protection schemes in Europe
Russian Federation	1 968 127	Not applicable
Poland	1 274 120	1 274 120
Germany	940 000	670 000
Czech Republic	409 008	408 846
Italy	159 968	149 672
Türkiye	145 000	Not applicable
Spain	133 007	132 917
United Kingdom	111 900	111 900
France	96 520	96 520
Republic of Moldova	89 302	86 834
Slovakia	87 030	34

There is big economic crisis in Ukraine, because of war. The biggest losses in the Ukrainian economy are experienced by [9]:

- as a result of the destruction of production capacities - energy, housing and communal sphere, transport, metallurgy, oil refining industry, defense industry enterprises;

- as a result of the actual stoppage of investment projects due to extremely high investment risks – construction, mechanical engineering;

- as a result of the reduction in the demand of the population, which finds itself in occupation, in the zone active hostilities or forcibly leaves Ukraine as a refugee (20% of demand), economic activity in the sphere of services and certain types is reduced such as hotel and restaurant business, as well as spheres economies belonging to creative industries, literature and publishing, art, architecture and design, advertising agencies, operations theater and concert halls, museums etc;

- due to destroyed transport infrastructure, blocked ports, restrictions on cross-border currency payments have been introduced (except payments on critical imports) more than 50% of export was lost during the three months of the war, taking into account the significant share of agro-industrial products in the export of Ukraine;

- due to the narrowing of the range of domestic goods, the deficit of import energy resources, the pressure on inflation and the exchange rate increases.

As a result of war and economic crisis, at least 3 million Ukrainians have already lost their jobs, and 53% of the population is at risk of losing them. The increase in the level of unemployment, according to approximate estimates, exceeded 30%. The level of wages, according to expert estimates, decreased from 9 to 58% in various spheres of economic activity, and arrears from wages exceeded UAH 3 billion. Budget expenditures almost doubled due to increased spending on defense, business support, and humanitarian aid [9].

In addition to social and migration challenges, Russian military aggression against Ukraine is also accompanied by a deterioration of the energy security situation in Europe (Fig.1). Thus, the Russian monopoly supplier has already stopped the supply of gas to Poland, Bulgaria, the Netherlands, Denmark, France and significantly reduced the supply of gas to German and Italian counterparties. In response to energy risks, the EU developed the REpowerEU plan, the main goal of which is to abandon Russian energy carriers by increasing energy efficiency, diversifying fuel supplies, creating a mechanism for joint gas procurement, and accelerating the transition to renewable energy sources [10].

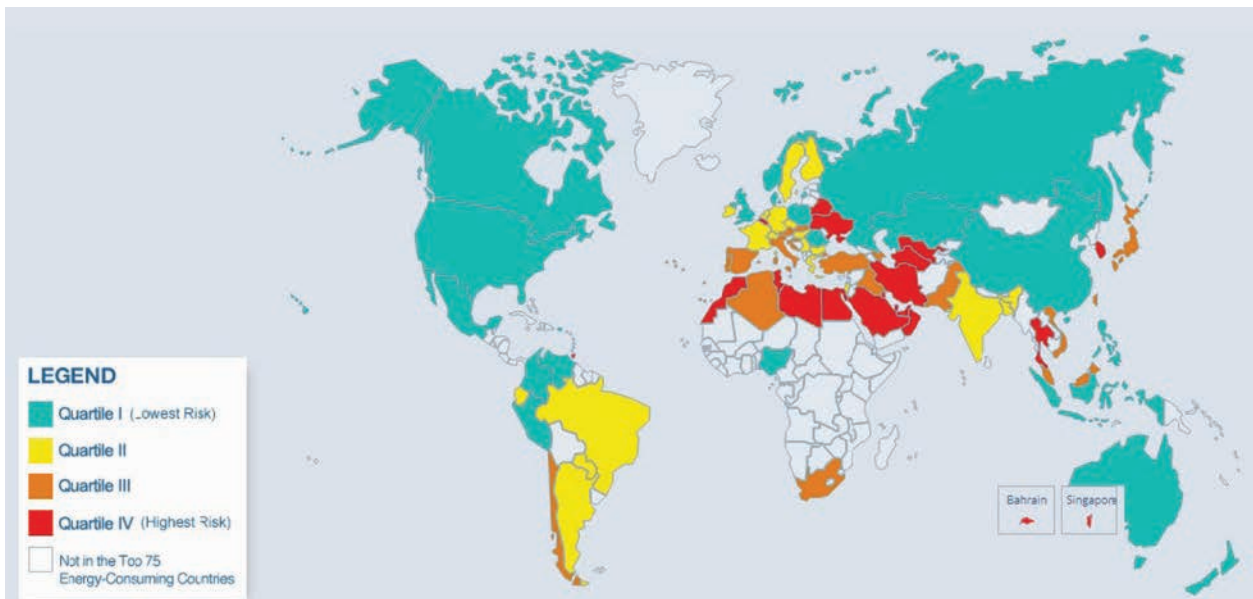


Fig.1. The map of countries group according to the 2018 Energy Security Risk Scores [11]

According to Fig. 1, the vast majority of European countries belong to the group of countries with an average Energy Security Risk Index, and Ukraine belongs to the countries with a high Energy Security Risk Index. This means that an energy crisis is quite likely for Ukraine and Europe.

Ukraine is among the top 10 European countries in terms of installed power generation capacity, among the top 3 gas producers, and has the largest underground gas storages in Europe. Extensive and reliable systems of transportation of gas, oil, petroleum products and transmission of electricity connects the EU countries neighboring Ukraine and Moldova. Ukraine has one of the highest shares of carbon-neutral generation in Europe. About 70% of electricity is produced by nuclear, hydro and renewable generation. Compared to 2014, Ukraine got rid of its dependence on Russian gas, but still maintained its partial or complete dependence on imports for most types of fuel. Before the start of a full-scale invasion in February 2022, Ukraine was 75% self-sufficient in coal. Import of the remaining volumes took place on competitive terms from a diversified range of suppliers [10].

The EU also imposed sanctions on Russian coal and oil. Some EU countries have announced such anti-crisis measures as the restoration of coal generation, increased investment in nuclear energy, and stimulation of gas savings. In addition, there is a discussion in Germany about the possibility of extending the life of nuclear power units, as well as about the permission to extract shale gas. These external changes significantly affect the energy security of Ukraine as European Union, although they create new opportunities for Ukrainian energy companies in the EU market [10].

In view of all the above-mentioned global challenges, the question of defining post-war socialization in global conditions becomes more relevant.

The global environment influences the socialization of the economy through the interconnection and unification of cultures, international standards, norms, rules, as well as integration processes, strengthening the role of global actors in socialization processes, global trends, and challenges. On the contrary, socialization affects the global business environment through social responsibility, social standards, rules and regulations.

A natural question arises: what will be the post-war socialization? It is obvious that public finances after the war will be directed to social benefits, education, retraining, and rehabilitation of the military and civilians after hostilities. It is important to resume state programs to support young people and young families in providing them with housing. This outlines not only Ukraine, but also European countries that have accepted Ukrainian refugees.

The problem of socialization, employment, support at the household level and social housing are also relevant aspects of the post-war socialization of the economy and new security system of Europe.

The promising areas for economic reconstruction and rehabilitation of the security system for Ukraine and other European countries in post-war period can be (Fig.2):

- timely fulfillment of all obligations regarding reforms by Ukraine regarding accession to the EU;
  - implementation of the economic part of the Association Agreement between Ukraine and the EU to increase exports from Ukraine;
  - ensuring Ukraine’s transition to an innovative economy using digital technologies;
  - Ukraine’s use of the advantages of digitization of the economy;
- increase in financing of scientific developments related to military topics in Ukraine and European countries

and increase in defense capabilities of countries;

- strengthening of cooperation in the triangle: NATO – EU – Ukraine in the field of security and opposition to Russian aggression;
- development of a joint EU-Ukraine energy and food strategy;
- Ukraine’s use of its low-carbon power generation capabilities and powerful gas transportation and storage infrastructure to support the EU in reducing its dependence on Russian energy sources;
- ensuring cyber security;
- implementation of the policy of preferential housing lending in Ukraine to provide housing for war victims;
- promotion of self-employment in Ukraine;
- state subsidies for the development of small and medium-sized businesses in Ukraine, especially in agrarian sector;
- promoting the development of the IT-sector in Ukraine and European countries.

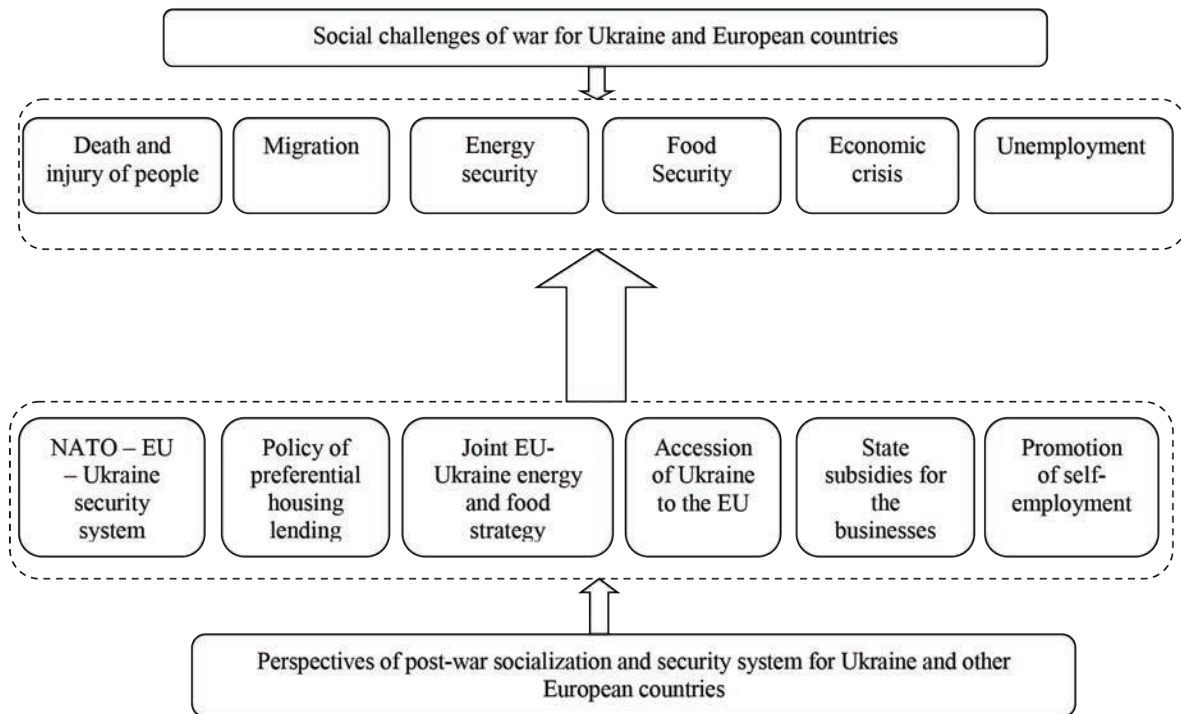


Fig.2. Scheme of economic reconstruction and rehabilitation of the social and security system for Ukraine and other European countries in post-war period

Ukraine has potential for the development in the post-war period [9]:

- own raw materials are available, in particular, ore and plant products;
- diversified production, which makes it possible to develop and create new industries;
- geographical location, which facilitates the implementation of fast logistics and export potential to European countries;
- high intellectual capital of the country, which is in close correlation with production and can ensure the introduction of modern technical and innovative development;
- available electricity at a price below the European price with a significant share of „green” energy.

A key factor in the post-war development of Ukraine, raising the standard of living of the population and returning Ukrainians home is the stimulation of the development of small and medium-sized businesses, as the basis of the economy. It is small and medium-sized businesses that are able to create new jobs, revive the economy, provide the population with essential goods, including food, and increase exports. Today there are big problems with business financing and logistics. However, directing national producers to provide for their territorial communities is a way to overcome the economic crisis in Ukraine and the problem of poverty. The state should provide subsidies, simplified taxation for entrepreneurs in wartime conditions. The access of Ukrainian manufacturers to foreign sources of financing, investments and loans is also important.

### 3. Conclusions

The new model of post-war socialization will include raising the living standards of the population through attracting investment funds for social programs, rebuilding infrastructure and digital transformation of the economy [12-13]. The processes of digitalization and cyber security will play an important role in the post-war socialization of the security system of European countries. For the post-war period, both for Ukraine and for Europe, it will be important to overcome the economic, energy, migration, food and democratic crisis. The author proposed promising directions for post-war socialization and building a security system for Ukraine and European countries. Important in this process will be the restoration of a favorable economic environment in Ukraine, with the development of small and medium-sized businesses, as well as the construction of a new European security strategy (in the NATO-EU-Ukraine triangle). A key aspect in the post-war socialization of Ukraine is its accession to the European Union and joining the new European energy strategy.

The limitations of this study are the lack of operational statistics on the assessment of losses from Russian aggression in all areas.

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