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RESEARCH ARTICLE

The Russia–Ukraine Conflict: Economic Implications for the European Union

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Abstract

The Russia-Ukraine conflict, which escalated into a full-scale war in February 2022, has significantly altered the geopolitical and economic landscape of Europe. Although tensions between the two countries could be traced back as far as an annexation of Crimea by Russia in 2014, the invasion in 2022 was a sudden and drastic jump, resulting in a large-scale tragedy of humanitarian disaster and a global reaction to it (Bera, 2022). To the European Union (EU), the war has not only been a significant security blow but also a substantial economic shock. Given that it has been one of the most ardent supporters of Ukraine and a former leading trading partner of Russia, the EU has been at the center stage of the indirect economic effects of the conflict.Because Ukraine and Russia are economically tied to the European Union, especially in energy, trade, and goods, the European Union's reliance on Russia was significant before the war. Russia provides about 40 percent of the EU's natural gas and a substantial part of its oil imports. Ukraine served as a crucial transit hub for energy and agricultural exports (Haouel, 2023). The abrupt halt in these supplies and evident mutual sanctions have increased energy prices, inflationary pressures, supply chain disruptions, and changes in labor markets due to the influx of refugees. Such dynamics have revealed structural weaknesses in the EU economy and strengthened the case for strategic autonomy.

Keyword: Russia conflict, European Union, Ukraine Conflict**,** disaster, inflationary pressure

Introduction

Here, the war has shortened the policy debate in the EU on energy diversification, economic resilience, and defense spending (Kuzemko et al., 2022). With member states struggling through this time of uncertainty, the reality of the conflict emerging as a crisis, albeit temporary, is increasingly being recognized as a moment of radical change in the economic direction of the Union. To evaluate the EU's ability to adequately respond to the situation, maintain its internal powers, and reorganize its economic policy towards a safer and more autonomous approach, it is essential to understand the financial consequences of this confrontation.

Research Aim and Objectives

- To examine the economic consequences of the Russia–Ukraine conflict on the European Union

- To explore how EU institutions and member states have responded to the economic challenges
- To analyze the long-term implications for EU energy policy, inflation, trade, and security
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Research Questions

1. What are the key economic disruptions faced by the EU due to the conflict?
2. How has the EU responded to these disruptions from a policy perspective?
3. What are the projected long-term impacts on EU economic strategies?

Literature Review

Pre-Conflict Economic Ties between Russia and the EU

Russia was a significant energy exporter to the EU before the 2022 invasion. Becker & Åslund (2024) examine such interdependence, stating that, in 2021, almost 45 percent of European Union gas imports and more than 30 percent of crude oil imports were from Russia, leaving structural dependencies. Based on the information provided by Eurostat and the Central Bank of Russia, these authors suggest that this energy interconnection contributed to the internal division within the EU, where the eastern countries were more concerned about the affordability rate rather than geopolitical diversification

Other policy briefs reviewed by the European Commission (Economics Institute, 2008) point out that the economic challenges would have been severe until the EU becomes diversified in its gas supplies because the EU gas coming out of Russia was estimated to increase to 50 60% of total supply in the late 2020s. Not only that, but infrastructural integration, such as pipelines and terminals, also increased this dependency, whereby network models indicated potentially fewer consumer prices and supplier power on new routes, yet only when alternate sources were tapped (Reis & Jones, 2015).

Inflation /Cost of Living

The conflict between Russia and Ukraine has not only directly increased prices in the global energy markets, especially in the European Union, but Russia's deep-rooted gas dependency has also been significantly impacted. Carvalho et al. (2013) employ academic modeling to analyze the structural vulnerability of EU gas networks during crises and demonstrate that a partial cut in gas line delivery could lead to surging wholesale prices, with secondary impacts on wholesale electricity markets, manufacturing activities, and, ultimately, consumer prices. This process highlights the fact that the underlying vulnerability of the energy sector to systemic energy insecurity can lead to extensive transformation into systemic inflation. In support of this, Ember (2025) reported that in 2023, EU gas consumption decreased by almost 19%, which is attributed to demand-side actions and diversification. Nevertheless, the decline in use did not completely protect households against inflation, as there was still high supply tightness that increased prices, resulting in higher power bills and living expenses. These reports highlight the importance of being insulated from the long-term volatility of fossil fuels.

Energy Crisis and the Shifting toward Renewables

The war has served as a wake-up call to EU energy policy, triggering a radical transformation towards renewables as well. According to the European Commission's documents (2025), the REPowerEU Plan was outlined to make the EU independent of Russian fossil fuels by 2027. The strategy included an immediate plan for diversification of gas suppliers and a long-term shift towards renewable energies. Empirical results indicate that solar capacity almost doubled between 2019 and 2023, and in 2023 (for the first time), wind and solar generated more electricity than gas. This understanding is further deepened by the academic study by Durakovic et al. (2023), which examines the decarbonization paths that encompass the use of hydrogen, carbon capture, and the electrification of heating processes. Their result implies that although the situation with Russian gas produced volatility for a short time, the potential shift also led to faster investment in technologies that take a long haul in achieving climate and energy stability.

Discontinuities in Trade and Food Security

Less directly analyzed in scholarly literature, the energy aspects of the conflict have a trickle-down impact on trade and food security. The fact that Carvalho et al. (2013) present a systemic perspective makes it clear how energy supply shocks in the EU propagate throughout various sectors. Gas is utilized not only in the generation of power but also in the manufacture of food, processing, and fertilizers. As such, interruptions in the flow of natural gas hence affect the entire value chain of agriculture-leading to shortages in supply and escalating food prices. Although the dynamics are often addressed by NGOs and intergovernmental organizations, energy, and food security are still in the early stages of being addressed within academia.

Military spending & Budgetary repackaging

The war has also altered budget priorities within the EU due to the energy crisis it has caused. Becker and Åslund (2024) discuss how energy independence has emerged as a necessity to the extent that funds previously directed at social programs and long-term initiatives are being shifted towards unusual priorities, namely defense and strategic infrastructure. Although detailed EU-wide information about changes in military spending has not yet been fully reflected in the scholarly literature, qualitative evidence suggests a revolution in public finances as energy security and defense become increasingly interrelated concerns.

Sanctions & Economic Reprisal

One of the notable aspects of the EU's response has been the imposition of economic sanctions against Russia, particularly in its energy and financial sectors. Makkonen and Mitze (2021) offer an approach to evaluate the effects of sanctions, and their evaluation of the sanctions imposed in 2014 demonstrates that not only trade but also the exchange of knowledge and institutional interactions decreased by 70 percent, proving that sanctions stop not only trade but also trade of knowing and institutional reform. According to Becker and Åslund (2024), the

2022 sanctions not only involved a cost to the EU (especially during energy price increases) but also created a positive effect, derailing economic policy and the country's strategic interests in the long run by speeding up the transition to energy independence.

Literature Gap: Economy-Related Stress of Migration and Refugees

Although there has been considerable coverage of the humanitarian aspect of Ukrainian refugee migrations to the EU, academic sources are scarce regarding the economic impact of this migration. Millions of people have moved, and most of them have sought refuge in EU nations, such as Poland, Germany, and Romania. Although the national policy papers outline the pressure on housing, education, and healthcare, they do not provide comparable, EU-wide economic estimates of the fiscal effects. It is also a critical lacuna in the literature and an area that would be fruitful for future studies, particularly in qualitative and mixed-methods research directions.

Theoretical Framework

The research is based on two theoretically interconnected constructs: Interdependence Theory and the Security-Economy Nexus. Traditionally, the Interdependence Theory, criticized by Becker and Åslund (2024), hypothesizes that the intensified economic links between countries decrease the probability of conflict, presuming that the benefits of trade outweigh the motives to act aggressively. Nonetheless, the Russia-Ukraine war disproved this argument since Russia has used weaponizing its energy exports to put political pressure on the European Union. This reveals a critical weakness within the liberal theory of interdependence due to the belief that economic rationality will, in every respect, overcome geopolitical interests. Dependency here took the form of coercion rather than cooperation, and it is a way of displaying the asymmetric vulnerabilities in the relations between the EU and Russia in this energy field.

Coupled with this is the Security-Economy Nexus, which provides a more comprehensive analytical approach to understanding the realignment of the EU on a post-conflict scale. Durakovic et al. (2023) claim that energy diversification, defense expenditure, and decarbonization are no longer separate affairs but a part of a greater strategy to achieve strategic independence. The policies that the EU enacts in the aftermath of the crisis, such as REPowerEU, provide evidence that an economic tool is becoming a default part of countering geopolitical security. In this way, both theories can jointly explain the basis of change from reactive dependence to proactive resilience, providing a well-coordinated analytical premise for analyzing the shift in the EU's economic stance.

Methodology

This paper employed a qualitative secondary research design to study the economic implications of the Russia-Ukraine conflict for the European Union. The qualitative method was chosen due to the nature of the research question, which sought to understand how the intricate geopolitical phenomenon would affect the economic

systems. Creswell (2013) suggests that qualitative designs are particularly suitable for gathering the patterns, interpretations, and meaning in the socio-political contexts where statistical generalizations are inadequate.

The interpretivist paradigm has been selected, and it is the one that assumes that economic phenomena can be socially constructed and can be grasped only through interpreting subjective meanings (Saunders et al., 2016). This study suited the examination of the framing and reaction to the crisis by EU policymakers, scholars, and institutions. The interpretivist position also endorsed the exploration of thematic descriptions of discourse in policy and academic writings.

The research employed an inductive approach, whereby conclusions and themes were derived from an analysis of the existing literature rather than testing hypotheses. According to Thomas (2006), an inductive approach enables the natural revelation of qualitative data patterns and explanations; hence, it is appropriate in research that aims at exploration rather than confirmation.

Secondary research data comprised available sources from peer-reviewed academic journals, official publications of the European Commission, research by the European Central Bank, and reports by policy think tanks Bruegel and the Centre for European Policy Studies (CEPS). The selected sources were open-access only to ensure transparency and replicability. These studies had to be published between 2013 and 2024 to encompass both the pre-conflict situation and the post-conflict reaction.

To extract the common themes, a thematic content analysis was conducted, and the following themes were identified: inflation, energy dependency, trade disruptions, and strategic autonomy. The procedure was guided by the six-phase model developed by Braun and Clarke (2006), which began with the familiarization of the data and concluded with the refinement of the theme. It was manually generated and iterative coding, allowing the researcher to discern the contextual relationship between geopolitical and economic changes.

No human participants were used; hence, there was no need for formal ethical approval. Nonetheless, due diligence was applied to all sources, given line by line, and no misrepresentation of data occurred. The fact that it used secondary sources made it difficult to access real-time policy discussions or top-level economic secret information. Additionally, due to the dynamism of this conflict, specific literature can already be obsolete, which is a setback to longitudinal accuracy.

AnalysisEnergy Dependency and Security

The war between Russia and Ukraine significantly disrupted the energy architecture of the EU. Before 2022, Russia supplied more than 40 percent of the EU's natural gas imports. The direct result of the war was an emergency supply shock because Russia cut the pipeline flow of gas, weaponizing its energy exports (Becker & Åslund, 2024). In response, the EU implemented its REPowerEU plan, which aims to reduce Russian energy imports by two-thirds within a year and eliminate them by 2027. By 2024, the Russian pipeline gas

share accounted for only 11 percent of the EU's imports, which were nominally substituted by LNG, primarily from the U.S., and piped gas, mainly from Norway (European Commission, 2023).

This shift was expensive and required rapid investment in infrastructure, especially at the LNG terminals and across borders. However, it was able to fast-track the green transition of the EU. In 2023, Durakovic et al. (2023) reported that the energy crisis accelerated the pace of renewable energy investments in member states, where solar and wind generation generated more power than fossil gas by 2023. According to Ke et al. (2025), although the supply of LNG by non-Russian companies helped close the gap, it caused inefficiencies and increased transport expenses because rerouting LNG served to increase the European market's dependence on long-range suppliers. Accordingly, although energy security increased as a result of diversification, it was associated with high financial costs and environmental impacts in the short term.

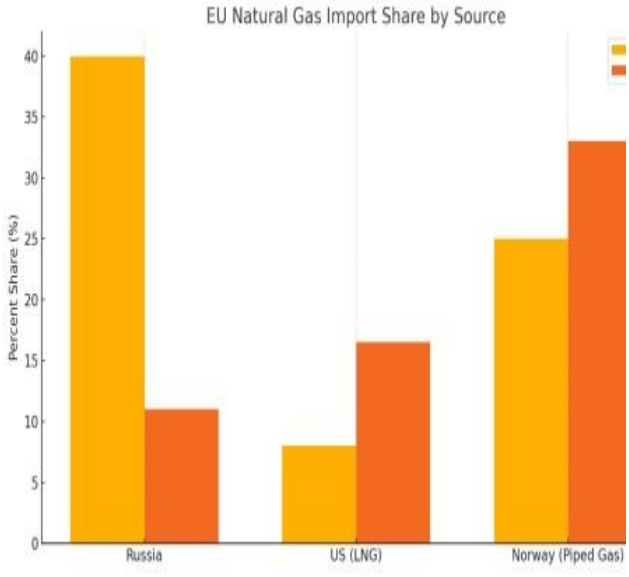

Figure 1 EU natural gas import shares by source in 2021 and 2024, showing a sharp reduction in Russian pipeline gas and increased reliance on U.S. LNG and Norwegian gas. Based on data from the European Commission (2023) and Bruegel (2023).

Inflation and Economic Instability

The war increased the price of commodities worldwide and led to inflation in the EU. According to the European Central Bank (2023), food price inflation has reached its highest level since the introduction of the euro, primarily due to war-related disruptions in the grain and fertilizer markets. Both countries, Russia and Ukraine, contributed significant proportions of the world's total exports of wheat, maize, and fertilizers. The war's impact on these markets was that the prices of fertilizers rose by two hundred percent even earlier, which affected food production and retail prices.

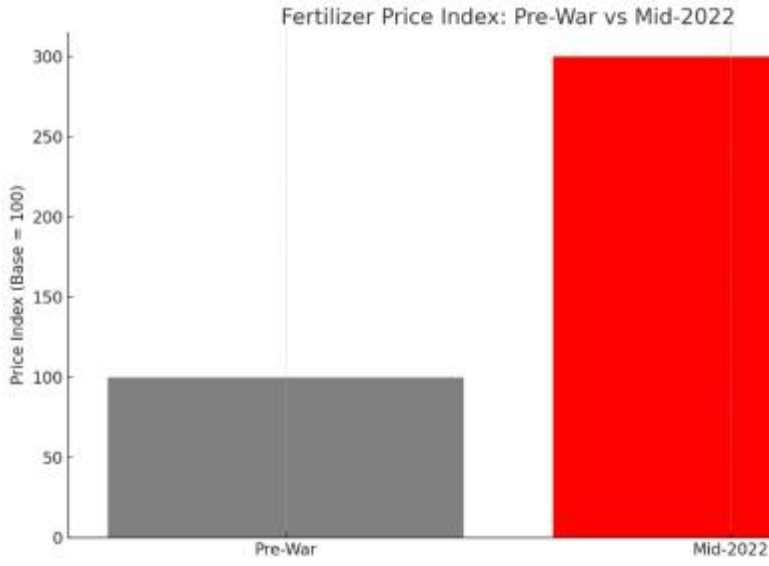

Figure 2: Fertilizer price index comparing pre-war levels to mid-2022, illustrating a 200% increase due to disruptions in global fertilizer supply chains following the Russia–Ukraine conflict (European Central

Bank, 2023; Intereconomics, 2023).

Monetary policy emerged as a crucial tool of response. The ECB was quick to withdraw its policy to control inflation, pushing interest rates higher after decades of accommodative policies. But this tightening did not have the same effect on the member states. Central and Eastern European countries were disproportionately affected by inflation, as they spent a larger portion of their income on energy and food expenditures (European Investment Bank, 2023). Countries such as the Baltic states suffered from double-figure inflation, and Western European economies were relatively closed.

There may also be variations in government responses. The wealthier nations, such as Germany and France, were able to impose a significant amount of fiscal stimulus (e.g., energy subsidies) where the low-income states were lacking in budgetary resources. This imbalance was alarming because it created a situation of fragmentation in the euro area, where national-level responses resulted in asymmetric emissions and the risk of uneven competition (Bruegel, 2023).

Disruption in Trade and Supply Chains

It revamped major trade routes and inputs of the EU, particularly in energy, raw materials, and agriculture. Before the war, Ukraine and Russia were major exporters of wheat, sunflower oil, and fertilizer. The beginning of the war closed the Black Sea trade routes, leading to an immediate shortage of grain. According to Intereconomics (2023), Russia and Ukraine contributed 28 percent of the world's wheat supply and 16 percent of its fertilizers, respectively, and their displeasure is a serious concern.

Such shocks compelled the EU to rearrange trade flows. North America, North Africa, and Australia became the preferred destinations for grain and fertilizer imports, while Russia redirected its exports to countries in Asia and Africa (DGAP, 2024). Moreover, the war prompted European companies to start sourcing industrial raw materials, such as metals, neon gas, and chemicals, that were previously imported from Russia or Ukraine.

There also appeared re-export patterns. The European Union dramatically reduced its exports of machinery to Russia in 2022 by over 80%, increasing massively to other countries in the Central Asian region, implying a possible intermediary channel of trade (Bruegel, 2024). This posed regulatory issues on the enforcement of sanctions. In the meantime, the EU strengthened its commercial relations with Central Asia and Africa, and the EU Central Asia trade rose by 67% over the 2022 period. Strategic independence can be perceived as a force driving these changes and necessary fiscal austerity, but this necessitates long-term policy and infrastructure planning to sustain the cycle.

Sanctions and Economic Retaliation

Between 2022 and 2024, the EU imposed 15 rounds of sanctions on Russia, targeting the banking, energy, and technology sectors. The sanctions involved the exclusion of SWIFT, freezing of central bank assets, and prohibitions on high-tech, coal, and oil exports (European Council, 2023). Russia retaliated by offering to sell gas at ruble

prices, reducing exports to those countries that refused to cooperate, and limiting the rights of foreign investors. Makkonen and Mitze (2021) demonstrated that sanctions could damage bilateral cooperation in terms of trade and innovation by as much as 70 percent.

The losses incurred by European firms were massive. More than 1,000 foreign firms left Russia, with estimated losses to these firms exceeding $ 100 billion (Bruegel, 2024). An example is that Russia nationalized the assets of companies that left, such as Carlsberg, Uniper, and Fortum, thereby increasing the future political risks associated with investment. Although sanctions have adversely affected the Russian economy, causing it to shrink by 2.1 percent in 2022 (Becker & Åslund, 2024), they have also altered the economic interests of Europeans, prompting them to disentangle their market attachment from Russian economies permanently.

The EU's coordinated response to sanctions demonstrated a high level of political will despite the short-term disruption. Analysts note that sanctions have successfully limited Russia's access to capital and advanced technologies despite its shift toward Asia. Still, the long-run implication for European industry, particularly energy-intensive sectors and export-intensive sectors, is a grave concern.

Budget Reallocations and Defense Spending

The war led to a paradigm shift in EU Fiscal affairs. Germany is rolling out its 100 billion Euro defense fund, and Poland is spending more than 3 percent of its GDP on security. On average, EU defense expenditures increased by 0.2 percent (1.3 to 1.5 percent) of GDP between 2022 and 2024 (European Commission, 2024). The off-budget European Peace Facility (EPF) was increased to more than € 11 billion by 2024, with most of the funds allocated to support military aid to Ukraine.

This redistribution highlighted the issue of fiscal sustainability. In the discussion on defence spending, Bruegel (2024) cautioned that achieving credible defense capacities may involve trade-offs in the budget, which can crowd out investment in healthcare, education, and climate change mitigation. The shift towards increased military spending may pose a threat to adherence to fiscal rules in countries that already have elevated levels of debt.

However, the EU has made an exception to its stability and Growth Pact by allowing defense-related borrowing as part of the European public good. According to analysts, when used effectively, this readjustment may help improve the EU's strategic autonomy. Nevertheless, the chances that Europe will achieve long-term defense independence, given its reliance on U.S. military equipment, which has nearly doubled since 2015, are minimal.

Migration and refugee crisis

More than 8 million Ukrainians were displaced by the war, with approximately 4.2 million still in the EU under the Temporary Protection Directive (TPD) by 2023. In contrast to past waves, Ukrainians had quick access to services and work rights. This gave a way to a quicker economic incorporation, especially in most countries

such as Poland, Germany and in Czech Republic.

In mid-2023, Eurofound (2023) recorded that several states had found a way to work with refugee levels that were well above 50%. There were more than 300,000 officially employed Ukrainians in Poland, which was up to 1.1 percent of GDP (UNHCR & Deloitte, 2024).

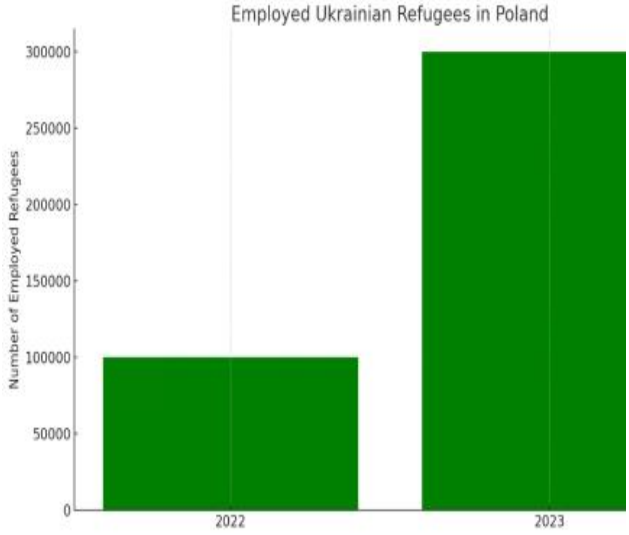

Figure 3 Growth in the number of formally employed Ukrainian refugees in Poland between 2022 and 2023, reflecting early labor market integration following the implementation of the EU Temporary Protection Directive (Eurofound, 2023; UNHCR & Deloitte, 2024).

Most of them have replaced the lack of human resources in most areas of healthcare, IT, and logistics, complementing, and not substituting, the local workforce.

Conclusion and Recommendations

The war between Russia and Ukraine has resulted in serious and long-term economic consequences for the European Union, which questions its structural dependence, financial coordination, and economic priorities. Energy supply was seriously distorted as one of the most direct consequences of this disaster. Not only the dependence of the EU on Russian fossil fuel, especially gas, with all of these proved to be a serious weakness. This led to such an unprecedented policy response (e.g., REPowerEU), which allowed to diversification quickly in line with alternative sources of energy and to pick up the pace of investments in renewables.

The resultant effects were massive inflation, a situation that was influenced by increased food and fuel prices as a result of the breakdown of the supply chain and increased input prices. This inflationary pressure was not evenly spread in the bloc, but rather Eastern European nations took the brunt due to their overdependence on basic commodities. In the meantime, the trade relations were quickly restructured, and the EU was turning its face away from Russia and trying to find a new partner in Africa, Central Asia, and North America to balance the imports of raw materials, fertilizers, and energy.

There was also a need for realignments in budgets. Member states began to increase their spending on defence and security, and the EU as a whole started to establish its own presence in military activities through mechanisms such as the European Peace Facility. This transition tampered with conventional financial limit and gave way to a review of expenditure priority. Moreover, Ukrainian refugees presented not only difficulties but also a chance as they added pressure on the short-term finances but could lead to economic growth in the long run through the integration of labour.

In every sphere, EU proved to have significant policy responsiveness and unity. Coordinated sanctions, common purchasing strategies, and elastic fiscal devices set a space to act decisively and collectively in the case of geopolitical destabilization. Nevertheless, to sustain this unity, constant burden sharing, strategic thinking, and resilience-building have to be practiced. As the conflict keeps on shaping up, so should the economic approach based on diversification, collaboration, and sustainable growth of the EU, which can ensure its stability and strategic independence in the world that is becoming less predictable.

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