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INFLUENCE OF THE WAR IN UKRAINE ON REGIONAL ECONOMIC PROCESSES

The massive Russian invasion of Ukraine has already had a global impact on commodity markets, trade and financial channels, especially in Europe, which is projected to have a greater negative impact than other regions [1].

The war in Ukraine caught the European economy at a time when final consumption and investment were still lower than before the pandemic, and COVID itself continued to restrain economic activity.

There are new risks - due to the escalation of hostilities and interruptions in critical energy supply flows. In addition, the potential consequences for the European economy from the massive flow of refugees should be taken into account. The Russian invasion led to a major humanitarian crisis - about 6 million people were forced to leave the state and emigrate, usually to European countries. As numerous calculations show, the economy suffered the most due to the suing of exports of metals, food, gas, oil, and minerals, which led to an increase in inflation to the highest position in recent years [2].

The percentage of EU companies with financial problems and instability will increase to 15%, compared with 8%, as the average for the year after the outbreak of the war in Ukraine. The percentage of companies that have a chance of not paying off production-related debts has also increased from 9% to 16% [3].

Companies whose activities are related to transport and agriculture suffer the greatest losses as well as losses due to the destruction of economic chains. We can separately identify 10 countries that significantly need Russian energy carriers [4]. Almost all gas in these countries is imported from the Russian Federation. States that have developed and continue to develop renewable energy sources, biofuels and nuclear energy sources are not so dependent on Russia. However, it is worth noting that Russia is one of the main exporters of oil and gas, so interruptions in trade, even minor ones, lead to an increase in value. Thus, the governments of states located in Europe face a situation where the introduction of sanctions or other restrictions against Russia leads to a significant increase in prices and exhaustion of the economy.

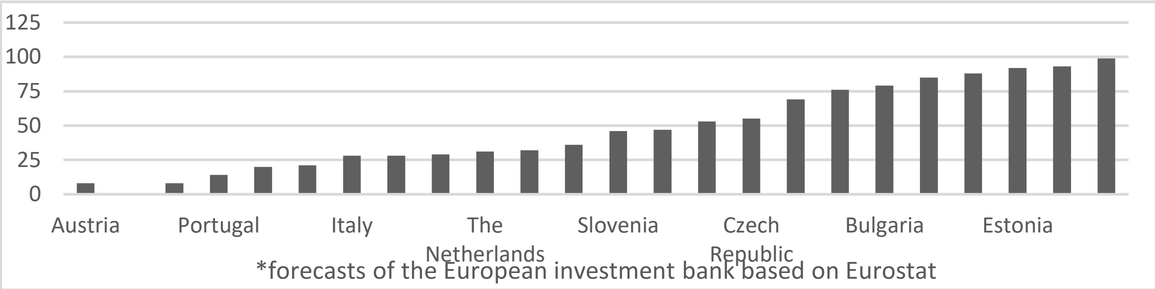

Fig.1. Part of the import of energy carries abroad, which comes from Ukraine, Russia and Belarus [5]

On Fig. 1 it could be seen that there remain list of states dependent on Russia, especially those, which are geographically close to Russian Federation. The beginning of the invasion was a significant driving force for the revision of the plan to reduce greenhouse emissions and increase the share of renewable energy in European countries.

The war encourages not only a revision of mineral consumption, but also a rethinking of defense spending. For example, Germany has already taken important new measures, allocated more than 100 billion euros in 2022 and decided to increase the defense budget by more than 2 percent from 2024. The war will have a particularly noticeable impact on developing countries. This will apply to the markets of grain crops, millet and corn, sunflower and Fertilizers, the major exporters of which are Russia and Ukraine. At the same time, high inflation has returned to the global economy, which has become the main challenge for the world's central banks. Russia's hybrid energy war against Europe has pushed energy prices high, and the destruction of the agricultural sector, the food industry in Ukraine and the blockade of Ukrainian exports have become one of the main triggers of rising food prices in the world [6].

In order to reduce the negative impact on regional economic processes, in our opinion, it is necessary to take a number of measures, both long-term and short-term:

- Reducing economic dependence on the Russian Federation, including increasing the share of renewable energy or establishing logical ties with other countries that supply natural gas, oil and minerals.

- Harmonization of policies and revision of the legal status of refugees in a number of European countries, in order to reduce the burden on the national economy due to social benefits and high unemployment of migrants.
- Negotiating the export of food products to poor and developing countries, balancing and harmonizing their prices.

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