ECONOMIC RECOVERY MECHANISMS IN WARTIME

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Abstract. Restoring national competitiveness requires a lot of time, effort, and financial investment, and, in particular, involves a structural sectoral transformation, reorientation, and rethinking of target orientations and levers of the economy. Analysis and systematization of the experience gained by other countries that were in a situation similar to the unjustified Russian invasion of Ukraine on February 24, 2022, working out ways to solve problems will become a roadmap for recovery after the victory and in the process of rebuilding the country. The purpose of the article is to determine the key economic recovery mechanisms in wartime on the study of similar recovery experience in world system. As a result of the study, the main drivers and levers of economic recovery are determined, which will help to restore the national economy step by step, and alternative methods are proposed, which are based on a combination of the experience of different countries.

Keywords: economic recovery, main areas of development, post-war recovery experience, economic potential, economic policy.

Today, the concept of war is more multifaceted than in the past. Nowadays, war is not only about an armed conflict between states or a bloc of states, which is limited to crisis processes in the socio-economic systems of the warring parties. In the context of the rapid acceleration of globalization at the end of the twentieth century and the creation of an extremely interdependent system of international relations, an open war between developed economies causes the emergence of a "perfect storm" for the entire world economic system. The situation is further complicated by the fact that Russia has launched its full-scale invasion against Ukraine when the global economy had not yet recovered from the effects of the coronavirus crisis, especially in the healthcare sector, and the emergence of geopolitical tensions, economic nationalism and populism. This ultimately leads to the realization that global society needs to immediately and promptly find ways to mitigate and overcome the growing crisis. But the problem is, the full consequences of war are best understood only by those societies that experience it themselves. In view of the above, the relevance of this study is confirmed by the importance of highlighting the economic and social consequences of Russia's full-scale invasion of Ukraine.

The theoretical and methodological basis for this study is the scientific work devoted to determining the peculiarities of the restoration of states that have had a similar experience of invasion of their territory by other countries. Thus, the work of political scientists and scholars who paid attention to the nature of military conflicts and the search for political
solutions to them (Von Clausewitz, 2005; Yamazawa, 1990); scholars who studied the ways and means of rebuilding countries after armed conflicts and full-out war, studied their background, assessed their consequences and the available resources for reconstruction (see, for example, (Barakat & Kapisazovic, 2003; Tzifakis & Tsardanidis, 2006; Lemay-Hébert & Murshed, 2016). There is also potential for development in analyzing conceptual frameworks and practical cases to understand possible tools for post-war reconstruction (Aboushala & Haj Ismail, 2022) or technological cooperation in the defense industry as a factor of sustainable development (Holtström, 2022; Callado-Muñoz et al., 2022; Duginets & Nizheiko, 2022).

However, while paying tribute to the existing scientific developments of domestic and foreign researchers on this issue, it should be noted that the scientific community has not yet developed a holistic vision of the recovery process and has not assessed its complexity and impact on various sectors of the economy of the whole country. Also, the existing modern scientific and practical developments studied by Ukrainian scientists since the beginning of the invasion reflect some of the issues in recovery and have not yet been systematically and practically applied (Mazaraki & Melnyk, 2022; Irtyshcheva et al., 2022; Zveryakov, 2022; Humeniuk, 2022). Therefore, the existing global experience of post-war reconstruction requires further in-depth study and systematization for further adaptation in Ukraine, which can be successfully used in the post-war recovery of the national economy.

The purpose of the article is to study the theoretical and practical developments available in the world science on the formation of strategies for economic recovery of states in the context of war in order to determine the possibility of adapting their experience in the context of Ukraine’s economic recovery.

To achieve the research goal, the author used a set of complementary methods of scientific knowledge of economic processes and phenomena: historical, logical and systemic-structural methods, comparative and statistical analysis; information, process and institutional methods. The information base of the study includes statistical and analytical materials of the State Statistics Service of Ukraine, the World Trade Organization, the Organization for Economic Cooperation and Development, the World Bank Group, the International Monetary Fund, and the Official Statistics Office of the European Union; information and analytical collections, bulletins and reviews; factual information of public authorities, domestic and foreign scientific works, results of own research, analytical and information materials from open sources.

In addition to the two world wars, more than 350 regional wars and military conflicts took place in the twentieth century. While only 36 regional wars or military conflicts were recorded before the First World War, there were 80 between the world wars, and more than 250 after the Second World War: since 1945, more than 12 million military personnel from about 100 countries have participated in military operations, and the number of deaths has exceeded 35 million (10 million in the First World War and 54 million in the Second World War) (Today’s armed conflicts, n.d.). It should be noted that it was after the Second World War that the Geneva Conventions of 1949 began to use the terms "international armed conflict" (Article 2) and "non-international armed conflict" (Article 3) along with the term "war"
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(UNCHR, n.d.). And since the 1950s, the term "armed conflict" has been used more often than the term "war". This substitution is mainly explained by political and ideological considerations, attempts to shift the emphasis in these concepts and the prohibition of war as a means of resolving international disputes.

Armed conflicts have an impact not only on the national economies of the countries involved, but also on the global economy as a whole. For example, in early 2022, the World Bank published its forecasts for global economic growth, predicting 4.1% growth globally and 3.2% in Ukraine compared to 2021 (World Bank Group, 2023). With the beginning of Russia's full-scale invasion of Ukraine, the World Bank's forecasts for global economic growth have been reduced to 2.9% (World Bank Group, 2022). The data is expected to fluctuate as the war in Ukraine started by Russia has disrupted investment activity and trade, which is one of the main factors for the formation of a sustainable economy. The drought in Europe, COVID-19, climate change, and the crisis in global energy markets have also had an additional impact on this forecast.

It should be noted that the full-scale armed aggression of the Russian Federation has disrupted economic relations in the country and caused crises in most areas of socio-economic life. The main problem is the demographic crisis due to the forced migration of the population: the countries of the European Union, Canada, the United States, the United Kingdom, etc. According to the UN, more than 18 million people have fled their homes because of Russian aggression, which is 42% of Ukraine's population. Approximately 11 million Ukrainians have become internally displaced, some of whom had to leave their homes for the second time. As of October 25, 2022, almost 8 million people have left the territory of Ukraine. The majority of them went to the European Union and received temporary protection, some reunited with their families or stayed in the EU countries in accordance with the conditions of the Schengen zone (UNHCR, 2022). Speaking about the structure of the population that left the territory of Ukraine, it can be classified according to several criteria: age, gender and level of education.
- In the age structure of refugees, 47% were women, 39% were children, and 14% were men (UNHCR, 2023);
- Ukrainians fleeing the war were divided by their gender in the ratio 86/14, 86% were female, 14% were male (UNHCR, 2022). This ratio is not surprising, as on February 24, President of Ukraine Volodymyr Zelenskyy signed a decree restricting border crossings to men aged 18 to 60;
- 46% of refugees had higher education, 29% had completed vocational training courses, and 21% had only a complete secondary education (UNHCR, 2022).

Another problem is the destruction of infrastructure. Today, the issue of electricity and water supply is relevant, because every day Russia launches missile strikes on the country's critical infrastructure. For example, as of October 19, about 40% of Ukraine's energy system was seriously damaged.

Restricting the implementation of international agreements by blocking ports in the Black Sea. Currently, 4 ports in Ukraine are temporarily occupied, namely in Mariupol, Berdiansk, Skadovsk, and Kherson. As a result of the blockade of ports, a food crisis has begun in the world, which has resulted in a sharp increase in grain prices not only in Europe but also in the countries of the African continent and the Middle East. For example, in 2020, Ukrainian imports to Egypt amounted to 3.13%. More specifically, 23.5% and 62.1% of all grain was
supplied by Ukraine and Russia, respectively (Wrld Bank Group, 2023). That is, in general, Egypt imported 85.6% of grain from countries that are currently at war. On July 22, the Black Sea Initiative was signed in Istanbul, an agreement between the UN, Ukraine, Turkey and Russia to establish a corridor to export grain from three Ukrainian ports: Chornomorsk, Odesa, and Pivdenne. The agreement was supposed to be in effect for 120 days, i.e. until November 19, with the possibility of extension.

On October 29, 2022, Russia once again violated international treaties by announcing its withdrawal from the grain deal, after an alleged attack on the Black Sea Fleet in the Sevastopol Bay. As of the end of 2022, the Black Sea Grain Initiative made it possible to export 9,521,645 tons of Ukrainian grain and agricultural products to the global market. The primary destinations were the Horn of Africa, Yemen, and Afghanistan (World Bank Group, 2023).

Loss of jobs, namely 5 million IDPs lost their jobs, and another 3 million working-age people remain abroad [Situation Ukraine]. This poses a problem for both the future of Ukraine and the current situation for employers in Europe. It is worth noting that before the full-scale war, approximately 5% of the population of Poland and 2.8% of the population of the Czech Republic were Ukrainians working abroad, i.e. mostly men. Today, the share of Ukrainians in the population of these countries has doubled. Despite the huge amount of potential labor, the governments of the countries faced certain problems, as some male migrants returned to Ukraine, freeing up "male" vacancies.

A large proportion of people lost their families, jobs, and homes because of the war, meaning that they have to start their lives in a foreign country from scratch (Grossi & Vakulenko, 2022). The vast majority are women and children of primary and secondary school age. And it is the absence of the latter that poses the greatest threat to the implementation of any recovery strategy for Ukraine: the world practice shows that sustainable economic development is based on the accumulation of personalized human capital, which is carried out in a special segment of the education system. Therefore, this segment should occupy one of the key places in any version of Ukraine's recovery strategy.

Since Russia's recognition of its Russian controlled administrations in the Donetsk and Luhanst regions of Ukraine, the European Union has been pursuing a sanctions policy that has had a significant impact on the Russian economy. To date, the EU has introduced 8 sanction packages, the latest of which was approved on October 6, due to the illegal annexation of four regions of Ukraine: Donetsk, Luhansk, Zaporizhzhia and Kherson. The eighth sanctions package included the following items:

- restrictions on imports of steel products, certain types of plastics and chemicals
- a ban on the use of European crypto wallets
- European companies are not allowed to provide IT and legal services to russians
- export of civilian weapons, military transport and goods used in the aviation industry to Russia is prohibited
- limiting the price of oil (European Commission, 2022).

If we highlight the most stringent sanctions against the Russian federation that have been imposed over the 9 months of the full-scale invasion, the following items can be included in this list:

- disconnection from SWIFT of Sberbank, Moscow Credit Bank, Rosselkhozbank and the Belarusian Bank for Reconstruction and Development (6th package of sanctions)
- a ban on the purchase, import and transfer of crude oil from Russia (6th package of sanctions)
- partial embargo on oil and gas (4th package of sanctions)
- a ban on Russian ships entering EU ports (5th package of sanctions)
- blocking of the reserves of the Central Bank of the Russian federation, which are in the banks of the G7 countries, amounting to 50% of all reserves (3rd package of sanctions)

It should be noted that the sanctions are taking effect, and, according to the World Bank's analysis, Russia's GDP will fall by 8.9% by the end of 2022. In turn, the International Monetary Fund predicts a 6% decline in GDP, and the Organization for Economic Cooperation and Development - by 5.5% compared to 2021 (European Council, 2023). Of course, the GDP decline was the result of a decline in trade, as a sustainable positive foreign trade balance is the key to a strong economy. According to the IMF forecast, exports from Russia will decline by 17.2% and imports by 25.4% by the end of 2022 compared to 2021. (European Council, 2023). Additionally, the maximum inflation rate is projected to reach 22%, according to the World Bank. At the same time, the International Monetary Fund predicts an increase in the inflation rate by 21.3%, and the Organization for Economic Cooperation and Development gives 13.9%. (European Council, 2023)

Ukraine needs to overcome not only the difficult path to victory, which we will definitely do, but also the long road to rebuilding post-war Ukraine, as thousands of homes, civilian and critical infrastructure have been destroyed. Even now, during the war, we are planning how Ukraine will be rebuilt. The first global presentation of the reconstruction project took place on July 4-5 in Lugano, Switzerland. The plan is designed for 10 years, divided into three stages and includes 15 areas (Ukraine Recovery Plan, n.d.). On October 25, the second conference on Ukraine's recovery was held. It was announced that in 2023, Ukraine needs at least $38 billion to cover the state budget, and another $17 billion is needed to urgently restore the country's social, energy, and transportation infrastructure. The European Union has assured that it will help Ukraine to the end, because this is a war not only between Russia and Ukraine, but also against the entire civilized world (Federal Government, 2022). Meanwhile, to substantiate the strategy of recovery under martial law, it is necessary to analyze the existing world practice.

The most famous experience of post-war recovery is the so-called post-war economic boom (the golden age of capitalism) that began after the end of the war in 1945 and lasted until the late 1970s. The post-war boom was marked by sustained high economic growth and almost full employment in European and East Asian countries, especially in war-torn Japan (the Japanese economic miracle), West Germany (the economic miracle), France (the Glorious Thirties), Italy (the Italian economic miracle), and Greece (the Greek economic miracle).

The experience of rapid economic growth during this period is particularly interesting for Ukraine, which needs to compensate for the losses from Russia's aggression caused by the occupation of Crimea, southern and eastern regions, and to quickly and effectively restore the country's economy, including infrastructure destroyed during the war throughout the country. The economy as a whole also needs a new concept of reconstruction that is appropriate to the current situation.

Among the well-known modern wars are the Korean War, the Vietnam War, the war in Afghanistan, and the war in Syria. Typical military conflicts include: The Cyprus Conflict, the
Georgian-Russian crisis, and the armed conflict in Eastern Ukraine. Compared to world wars, regional conflicts are characterized by fewer countries involved, a smaller spatial scale of hostilities, and are usually fought for limited political and military objectives, using traditional military forces and means. In some cases, there is no organized front. Most localized wars have been undeclared and began with provocations or border incidents that escalated into large-scale military conflicts. The attacker concentrates his forces and attacks suddenly at the beginning of hostilities, trying to inflict a decisive defeat before the enemy forces complete their deployment and the economy is put on martial law.

Military conflicts had even more limited political goals and even smaller spatial and temporal scales. These are usually armed uprisings, rebellions, border armed conflicts and incidents. Whereas local wars result in a qualitative change in the social condition of the victorious state, military conflicts do not involve a fundamental reorganization of state structures, i.e., mobilization of troops or the transfer of the economy to martial law.

In order to end a war and armed conflict as soon as possible, it is necessary to clearly understand the purpose of the conflict. This understanding allows for a compromise acceptable to the parties. The objectives of war were best formulated by B.H. Liddell Hart in his "Strategy of Indirect Action" (1954) (Hart, 2008). He believed that the purpose of war is to create a better world than the one that existed before the war. Based on the concept of a "better world", wars can be divided into "just wars", which lead to the development of human society as a whole, and "unjust wars", which lead to its destruction or simplification. Countries go to war not for the sake of war itself, but to achieve political goals. Therefore, "victory" is a political, not a military concept. Military objectives are only a means to a specific political goal, which is determined by the country itself. Military actions are only the basis for making a political decision, not for conquest, but for coercion. The goal of wars waged by empires is to control as many resources as possible and reform the "world order" in their interests.

From an economic point of view, the difference between war and armed conflict lies in the scale of economic changes and losses. For example, war leads to qualitative changes in the nature of society, as state institutions begin to perform specific functions caused by war. As a result, the life and economy of the society as a whole is rebuilt, which allows it to achieve victory over its enemies. During an armed conflict, political goals are more limited than during a war. It does not involve a radical transformation of the entire state system into a military system.

There are significant differences between war and a set of measures to restore the economy after an armed conflict. Post-war reconstruction was initially understood as the physical restoration of destroyed industrial enterprises, social facilities and devastated agriculture. Then, the concept was gradually deepened: in the 1940s and 1950s, the criterion of recovery was used as the achievement of pre-war gross production in monetary terms. Later (1970-1980), reconstruction began to be understood as a complex economic, social, and demographic phenomenon.

But in its most general form, economic recovery can be interpreted as a series of measures in various spheres of economic activity based on innovative approaches and technologies aimed at restoring the country's competitiveness, establishing production, improving living standards and increasing domestic and foreign demand.
Economic recovery should be based on the development of special programs to "resuscitate" the country's economic activity, and all efforts should be directed to restoring the industrial and agricultural sectors. Economic recovery after full-scale military invasion also requires the development of measures necessary to restore and further develop the economy of specific regions, ensure the return of the population and decent living conditions, address various social problems caused by the conflict, restore infrastructure and integrate it with the rest of the country, and develop mechanisms to ensure sources of recovery. First and foremost, recovery is preceded by political decisions based on geopolitical expediency and national patriotism, which determine the development model. Based on the results of the analysis of several armed conflicts that took place in the second half of the 20th and early 21st centuries, we can draw conclusions that would allow us to avoid the miscalculations and mistakes of others or to offset them:

- Develop and implement a modern concept of economic restructuring based on innovative development, taking into account the real geopolitical situation.
- Implementation of the strategy for the restoration and development of the East of the country and the return of Crimea, developed by domestic scientists and the government.
- Identification of key (priority) development sectors to ensure high competitiveness of goods and services in foreign markets and state support for these sectors.
- Adoption of appropriate legislation on full employment, fair wages, labor productivity and price stability.
- Develop mechanisms for the use and management of borrowed funds.
- Adoption of appropriate legislation to eliminate and prevent excessive concentration of production and capital and to prevent the formation of monopolies.
- Adopt effective economic mechanisms to prevent and combat corruption.
- Developing an effective social policy, i.e. a policy aimed at increasing the income and consumption of the population.
- Create special economic zones and science parks, or recovery areas.

For Ukraine to rebuild, it is not enough to receive financial support from international investors and partner countries, which is certainly extremely important. First and foremost, the government must rebuild housing for its citizens and put them to work, which will create new jobs and incentives to return to Ukraine. In addition, it is crucial to build sustainable institutions that will give international investors confidence in their investments in Ukraine. In turn, Ukrainians must realize that the state is primarily for and about the people who live in the country, working for the common good and future of the nation. Accordingly, on the instructions of the President of Ukraine, work has begun on the formation of the Funds for the Restoration of Ukraine in connection with the armed aggression of the Russian federation, which will be used to address a number of problems in Ukraine depending on their group of specialization (KMU, 2022a). Possible sources of financial support for these funds include seized and confiscated assets of the Russian federation, international assistance, direct contributions from partner countries, contributions from international organizations, investors, private donors - potential strategic investors, NGOs, business representatives and citizens, and the state budget of Ukraine. In order to strengthen the institutional capacity of the state in implementing the state policy of economic recovery, the National Council for the Recovery of Ukraine from the Consequences of War was also established (KMU, 2022b).
CONCLUSIONS

In the globalized world of the 21st century, the concepts of national security and economic growth are inseparable, as any armed conflict in a country’s territory sets back its development for years, destroying critical infrastructure, factories, homes and schools, etc. Today, the fact of war is felt in most countries of the world, as well-established supply chains are disrupted, which affects prices in countries and, in the worst case, leads to a food crisis.

The Russian-Ukrainian war is the largest military conflict in Europe since the end of World War II. Identification of the impact of the Russian-Ukrainian war on the socio-economic situation in the country allows us to determine that the return of people to their homeland should be an extremely important point in the post-war period, since the population of the country is the main resource for further economic development. Given that most of the working-age population that left Ukraine in search of a safer place to live is already working abroad, this will not be easy. Undoubtedly, some will return home through family ties, or men who cannot travel abroad due to restrictions on crossing the border will go to their wives and children when the borders open, further complicating the situation. That is why the government of Ukraine should already be developing a clear plan for how people will be returned home. For example, it could be a housing reconstruction program for families whose homes were destroyed by the Russian occupiers. If Ukrainians are involved in the reconstruction process, it will create new jobs that will be an incentive to return to Ukraine.

Young people who are currently studying at universities will be actively involved in the process of rebuilding Ukraine. The country needs specialists who will have a full understanding of how to stimulate the economy to develop, how to build and maintain effective and transparent institutions. That is why further research should analyze the experience of other countries that have been victims of illegal and unjustified military invasions in order to substantiate recommendations for restoring and strengthening the country’s economic potential and improving the living standards of Ukrainian citizens.

In order to substantiate specific consistent tools for Ukraine's economic recovery in the long term, further research should include generalization, systematization and comparison of the effectiveness of economic recovery mechanisms in place in the world and domestic practice, development of universal strategic and tactical tools for implementing the chosen strategy, development and evaluation of the predicted/possible results of the model. A key aspect of the elaboration of the strategies is the integration of methods developed by scientists and public services into a single mechanism of functioning to ensure maximum effect of the proposed reforms.


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