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THE ECONOMIC CONSEQUENCES OF THE MILITARY CONFLICT IN UKRAINE FOR THE EUROPEAN UNION AND CHINA

ЕКОНОМІЧНІ НАСЛІДКИ ВОЄННОГО КОНФЛІКТУ В УКРАЇНІ ДЛЯ ЕКОНОМІК ЄВРОПЕЙСЬКОГО СОЮЗУ ТА КИТАЮ

У дослідженні здійснено комплексний аналіз економічних наслідків війни в Україні, що розпочалася 24 лютого 2022 року, для Європейського Союзу та Китайської Народної Республіки – двох провідних суб'єктів сучасної світової економіки. Збройний конфлікт спричинив системний економічний шок, який проявляється у формі енергетичної кризи, посиленого інфляційного тиску та дестабілізації глобальних ланцюгів постачання. Ці ефекти мають асиметричний характер: для ЄС війна зумовила стрімке зростання цін на енергоносії, уповільнення економічної динаміки та посилення соціальної напруженості, тоді як Китай, отримуючи вигоди від імпорту дешевих російських ресурсів, водночас зазнає обмежень у сфері міжнародної торгівлі та технологічного обміну. Огляд наукової літератури охоплює джерела міжнародних організацій (зокрема МВФ та ОЕСР), академічні публікації, представлені на платформах ScienceDirect та Frontiers, аналітичні звіти провідних дослідницьких центрів (таких як RAND і CFR), а також статистичні дані Євростату та Національного бюро статистики Китаю. Зазначені джерела ґрунтовно висвітлюють макроекономічні, енергетичні та торговельні аспекти впливу війни, однак залишають недостатньо розкритими довгострокові економічні перспективи для відповідних країн та регіонів. Метою дослідження є системне вивчення економічного впливу повномасштабного конфлікту з урахуванням енергетичних, макроекономічних та геополітичних вимірів, із виокремленням специфіки адаптації та рівнів економічної стійкості Європейського Союзу і Китаю. Результати порівняльного аналізу засвідчують наявність спільних тенденцій у диверсифікації енергетичних джерел та торговельних маршрутів, водночас акцентуючи на суттєвих відмінностях: ЄС зіштовхується з високими економічними витратами, тоді як Китай демонструє відносну гнучкість у геоекономічному позиціонуванні. У підсумку дослідження обґрунтовує доцільність реалізації стратегій економічної адаптації, що включають диверсифікацію енергетичних джерел, забезпечення технологічного суверенітету та поглиблення міжнародного співробітництва як ключових умов пом'якшення наслідків воєнного конфлікту й забезпечення сталого розвитку глобальної економіки.

Ключові слова: *геоекономіка, енергетика, торгівля, технології, фрагментація, інфляція, інвестиції, ризики.*

The study provides a comprehensive analysis of the economic consequences of the war in Ukraine, which began on 24 February 2022, for the European Union and the People's Republic of China – two leading players in the modern global economy. The armed conflict has caused a systemic economic shock, manifesting itself in the form of an energy crisis, increased inflationary pressure and destabilisation of global supply chains. These effects are asymmetrical: for the EU, the war has led to a sharp rise in energy prices, a slowdown in economic growth and increased social tensions, while China, benefiting from imports of cheap Russian resources, is at the same time facing restrictions in international trade and technology exchange. The review of scientific literature covers sources from international organisations (in particular the IMF and the OECD), academic publications presented on the ScienceDirect and Frontiers platforms, analytical reports from leading research centres (such as RAND and CFR), as well as statistical data from Eurostat and the National Bureau of Statistics of China. These sources provide a thorough overview of the macroeconomic, energy and trade aspects of the war's impact, but do not sufficiently address the long-term economic prospects for the countries and regions concerned. The aim of the study is to systematically examine the economic impact of a full-scale conflict, taking into account energy, macroeconomic and geopolitical dimensions, highlighting the specifics of adaptation and levels of economic resilience in the European Union and China. The results of the comparative analysis reveal common trends in the diversification of energy sources and trade routes, while highlighting significant differences: the EU faces high economic costs, while China demonstrates relative flexibility in its geo-economic positioning. The study concludes that it is advisable to implement economic adaptation strategies that include diversification of energy sources, ensuring technological sovereignty and deepening international cooperation as key conditions for mitigating the consequences of military conflict and ensuring the sustainable development of the global economy.

Keywords: *geoeconomics, energy, trade, technology, fragmentation, inflation, investment, risks.*

Problem statement. Research into the impact of the war in Ukraine, which began on 24 February 2022, on the economic positions of the European Union and China is of both theoretical and practical significance. The full-scale conflict has been a geopolitical shock that has exposed the vulnerability of the global economy, particularly energy markets, trade flows, and supply chains. Analysing these processes provides a deeper understanding of the mechanisms by which the effects of the crisis are transmitted and allows strategies to be developed to mitigate them in order to ensure global stability and sustainable development.

The EU and China were chosen as objects of comparison because of their leading position in the global economy and contrasting approaches to responding to the crisis. The war triggered an energy crisis in the EU: a fourfold increase in gas prices, inflation of up to 9.2% in 2022, recession in Germany, a decline in production and growing social tensions. At the same time, China benefited from cheaper energy, but suffered a 5% decline in exports to the EU and a slowdown in economic growth to 3%, accompanied by technological sanctions.

The crisis effects of the war have shown how important it is to control the spread of economic shocks. Their uncontrolled unfolding can provoke cascading consequences – from destabilisation of macroeconomic indicators to exacerbation of socio-political tensions. The EU faced the risks of political fragmentation, rising populism and protest movements. China, in turn, faced the challenge of strengthening its technological independence and reorienting itself towards the Global South.

The asymmetry of the economic structures and geopolitical strategies of the EU and China has proved decisive for their resilience to the crisis. The EU remains vulnerable to external shocks due to its high dependence on imports, while China demonstrates flexibility but faces long-term risks due to restrictions imposed by the West. A comparative analysis shows that the effectiveness of crisis adaptation depends on the ability to diversify strategically, which is a key lesson for other regions of the world.

Controlling shocks makes it possible not only to minimise economic losses but also to strengthen global leadership. For the EU, this means maintaining its position in green technologies and coordinating international aid; for China, it means expanding its influence in Asia and developing alternative financial systems such as China Track. Research into these processes is the basis for developing coordinated international measures, in particular stabilising commodity markets and supporting supply chains, which prevents further economic fragmentation and promotes global prosperity. Therefore, studying the impact of the war on the EU and China is necessary to understand global economic dynamics, develop adaptive strategies, and ensure resilience in the face of growing geopolitical instability.

Analysis of recent research and publications. The war in Ukraine has been actively analysed by international organisations, academic institutions and think tanks, which are studying its economic impact on the EU, China and other countries at the global, regional, national and sectoral levels.

The International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) provide macroeconomic assessments of the war's consequences. In particular, the report The Long-lasting Economic Shock of War highlights the impact of the war on inflation and a global decline in GDP growth from 6.1% in 2021 to 3.6% in 2022–2023 [18]. Particular attention is paid to rising energy and food prices, as well as the risks of deglobalisation. The OECD report Impacts of the Russian invasion of Ukraine on financial market conditions and resilience focuses on the destabilisation of financial markets, food security and supply chain disruptions [23]. Both organisations analyse the consequences not only for the EU and China, but also for the countries of the Global South and the Middle East. The article The Russia-Ukraine war and global trade reallocations in ScienceDirect shows that Russia's exports to Asia increased by $61.2 billion, while Ukraine's imports fell by 47.3% [1]. The study Russia's military conflict against Ukraine and its impact on the European Union's wealth points to an increase in defence spending (up to 2% of GDP in 16 EU countries by 2024) and large-scale migration (7.6 million Ukrainian refugees), which creates both challenges and economic opportunities for the EU [29]. These studies deepen our understanding of the economic mechanisms of war and their impact on different regions.

An interdisciplinary approach to analysing the consequences of the war in Ukraine is demonstrated by think tanks such as the RAND Corporation and the Council on Foreign Relations (CFR). The report Consequences of the War in Ukraine: The Economic Fallout highlights a slowdown in global growth to 3% in 2022, growing trends towards deglobalisation, and the reorientation of Russian energy exports towards China and India [25]. It also highlights the weakening of Russia's position in Europe and its increasing dependence on China. The publication Russia-China-Ukraine: April 2025 analyses the deepening of trade cooperation between Russia and China – China's share in Russia's foreign trade is expected to grow from 18% in 2021 to 33% in 2023 [4]. Both centres provide regional and global analysis taking into account economic, political and security factors, including the impact on Asia and the Middle East.

Government statistical agencies and universities are studying the impact of the war at the level of individual countries. According to the National Bureau of Statistics of China, the country's GDP growth slowed to 3% in 2022 due to a 5% decline in exports to the EU and technological restrictions [22]. According to Eurostat, inflation exceeded 15% in Poland and Hungary in 2022, causing social consequences, including protests over rising food prices [6]. These studies focus on specific national effects and allow for a comparison of economic dynamics between EU countries.

Setting objectives. The aim of this study is to provide a systematic and in-depth analysis of the economic consequences of the war in Ukraine, which began on 24 February 2022, for the European Union and China, with a focus on the scale, mechanisms and long-term effects of this conflict. The study aims to show how the geopolitical crisis affects key aspects of economic stability – energy markets, trade flows, inflation and foreign economic positioning – taking into account the differences in the reactions of the world's two leading economic centres.

The study aims to identify the macroeconomic consequences of the war, in particular the slowdown in

GDP growth, inflation and trade difficulties for the EU and China, as well as to analyse the anti-crisis measures taken. The study covers an assessment of the energy crisis in the EU and China's benefits from increased imports of Russian resources, taking into account their impact on the formation of new strategies for economic and energy sustainability. Along with this, the study analyses geopolitical and trade risks, including sanctions, investment restrictions and the reorientation of global trade relations against the backdrop of growing economic fragmentation.

In summary, the study aims to identify strategic transformations in response to the war, particularly in defence policy, energy transition and technological independence, in order to formulate recommendations for adaptation in conditions of global instability.

Research results. The war in Ukraine, which began on 24 February 2022, has been a game changer for global economic change, causing an energy crisis, inflation, supply chain disruptions and geopolitical tensions. The EU and China, as key economic actors with a combined GDP of over $35 trillion, faced asymmetric challenges. The study presents a comprehensive economic analysis of their situation before the war, in 2025, and in the context of four possible scenarios, ranging from escalation to de-escalation. The analysis combines quantitative macroeconomic data and qualitative interpretation of the impact of the war on industry, trade and fiscal policy, with the aim of identifying contrasts between regions and justifying strategic adaptation decisions.

Before the war in Ukraine, the EU economy was in a phase of post-pandemic recovery: in 2021, GDP grew by 5.4% to €17.1 trillion, driven by consumer revival, fiscal stimulus (NextGenerationEU) and the easing of quarantine restrictions [5]. Industry showed growth, especially in energy-intensive sectors (chemicals, metallurgy, automotive), which accounted for 30% of exports. The EU's energy system was highly dependent on Russia: gas imports accounted for 40%, oil imports for 27% and coal imports for 46% [16], which created structural vulnerability. Despite the share of renewable energy sources growing to 22%, LNG infrastructure remained limited, and long-term contracts with Gazprom hampered diversification. The key partners in foreign trade were the United States, China and the United Kingdom; there was a dependence on Chinese goods (electronics, textiles, medical equipment). Fiscal policy remained stimulative (deficit of 4.7% of GDP), and the ECB's policy was extremely soft. Inflation remained within the target range (2.6%), unemployment fell to 7%, and investment in R&D reached 2.3% of GDP, with an emphasis on green and digital technologies [10].

The outbreak of war led to a deep energy crisis: Russian gas supplies fell from 155 to 65 billion cubic metres, and gas prices on the TTF rose fourfold to €300/MWh in August 2022 [6]. This led to a decline in production in energy-intensive industries: the chemical industry decreased by 7.2%, metallurgy by 6.8%, and automotive by 4.5% [7], with the loss of over 1 million jobs. Companies such as BASF partially relocated their production outside the EU. To overcome the crisis, LNG imports from the United States increased by 140% and from Qatar by 20% [17], but high costs and insufficient infrastructure limited the effectiveness of substitution. The REPowerEU programme (€200 billion) contributed to capacity growth in solar, wind and hydrogen energy, increasing the share of RES to 25% in 2024 [10]. At the same time, the share of Russian LNG in the import structure increased to 19%, especially in France and Italy, which indicates the complexity of achieving complete energy independence [4].

Economic growth in the EU slowed significantly: in 2023, GDP grew by only 0.5% (against the forecast of 2.5%), in 2024 – by 0.9%, and in the first quarter of 2025 – by 0.3% [8]. Germany entered a recession with a 0.3% decline in GDP caused by a drop in industrial production and exports. A decline in production was also recorded in Poland (-4.2%), Italy (-4.8%) and Hungary (-6.1%). EU exports fell by 2.1% in 2023, mainly due to lower demand in China (-3%) and the United States (-2%) [10]. Imports from China fell by 4% due to price pressure and import substitution policies in strategic sectors such as electronics (+2%) and textiles (+1.5%) [10].

Inflation reached 9.2% in 2022, including a 13.8% increase in food prices and a 40% increase in energy prices. Inflation was higher in Eastern European countries: 16.1% in Poland and 15.3% in Hungary [6]. This led to a 3.2% decline in real household incomes and sparked social protests, particularly in the Netherlands and Poland. As of April 2025, inflation had fallen to 2.2% [8]. The ECB raised its key rate to 4.5% in 2023, which increased the cost of corporate lending to 5–6% and caused a 2.5% decline in investment activity [9]. This limited access to financing for small and medium-sized businesses, especially in Italy and Greece.

Fiscal burdens have increased due to higher military spending: NATO countries in Europe have increased their defence budgets by 20% in 2022–2024, reaching $380 billion in 2024 [26]. Germany allocated €100 billion to modernise its army, while Poland allocated 4% of its GDP. Italy's public debt reached 147% of GDP, while Greece's reached 165% [7]. Investment in social programmes fell by 1.5%, exacerbating social tensions. At the same time, the labour market remained stable: 1.7 million jobs were created in 2024, with a forecast of 2 million in 2025 and an unemployment rate of 5.7% in 2026 [11].

As for China's economy before the war, China showed steady growth until February 2022: GDP increased by 8.1% to $17.7 trillion, exports to $3.36 trillion, with the EU as its largest trading partner [21]. Industrial production grew by 9.6%, especially in electronics, automotive and chemicals. Inflation remained low (0.9%), which allowed for a stable monetary policy.

The energy sector was diversified: oil was supplied by Saudi Arabia (17%), Russia (15%) and Iraq (10%); gas was supplied by Australia, Qatar and Turkmenistan [2]. Renewable energy sources accounted for 15% of the energy balance. Foreign direct investment (FDI) grew by 14.9% to $173 billion, and R&D spending by 14% [19]. The fiscal deficit was 3.2% of GDP, and public debt was 68.1%. The development of the domestic market and the Belt and Road Initiative contributed to the intensification of trade with ASEAN and the Global South.

It should be noted that although the war in Ukraine did not directly affect China, it changed foreign trade flows and energy priorities. Oil imports from Russia increased by 24% and gas imports by 62%, saving about $10 billion [15]. In 2024, LNG imports from Russia also increased [4]. This contributed to growth in industry: chemical products grew by 4% and electronics by 3%. The downturn in the EU economy reduced Chinese exports by 5% in 2022 and slowed GDP to 3% [22]. In 2023,

exports recovered somewhat, but EU restrictions reduced the share of high-tech products by 8%. Exports to Russia fell by 6.9% in 2025 [4]. In response, the NBK lowered its discount rate to 3.7%, and investment grew by 5%. Due to sanctions, FDI from China to the EU fell by 30%, and technology spending rose by 15% [27]. At the same time, China stepped up trade with Russia (up 10%) and invested in ASEAN and Global South countries [20]. The share of renewable energy in the energy balance increased to 17%.

Thus, the analysis allows us to outline four possible scenarios for the EU and China: conflict freeze, escalation, long-term war, and de-escalation with recovery. For each of them, the likely trajectories of GDP, exports, investment, and inflation for 2026–2028 are assessed.

The cessation of active hostilities without a formal peace agreement will create the conditions for gradual economic stabilisation in the EU. Energy prices are expected to fall to €100–150/MWh by 2026 thanks to increased LNG imports from the US and Qatar and the expansion of LNG infrastructure (+20 billion cubic metres by 2027) [11]. This will help reduce inflation from 2.2% in 2025 to 3–4% in 2026–2027, which will ease price pressure on consumers and industry [8].

EU GDP growth will recover to 1.5–2% in 2026–2027, supported by the restoration of supply chains and investments in renewable energy within the REPowerEU framework (up to €250 billion by 2027) [10]. Industrial production will grow by 2–3%, although energy-intensive industries such as chemicals and metallurgy will remain vulnerable due to the high cost of LNG, which is 30% more expensive than pipeline gas [17]. At the same time, exports to China and the Global South will increase by 3–4% due to growing demand for cars, machinery and pharmaceuticals. At the same time, sanctions against Russia and restrictions on Chinese technology (in particular, Huawei's 5G equipment) will hamper the development of high-tech exports, reducing their share by 2% [4; 27]. Defence spending will stabilise at 2% of GDP (approximately $400 billion annually), but Italy's public debt will reach 150% of GDP and Greece's 168%, limiting the scope for financing social and infrastructure programmes [7; 26].

Investment in R&D will remain at 2.3% of GDP, with a priority on green technologies, which will help strengthen the EU's position in the global competition for climate leadership [10]. At the same time, risks remain associated with dependence on LNG imports and instability in Eastern Europe, where local crises are possible.

The stabilisation of hostilities without a final peace agreement will allow China to maintain access to cheap Russian energy resources – Urals oil will remain within the range of $60–65 per barrel, gas – $5–7 per MBtu [15]. This will contribute to the stability of energy supply to industry, supporting growth in chemical production (+4%) and electronics (+3%). China's GDP will grow by 4–5% in 2026–2027, mainly due to the recovery of exports to the EU (+3–4%) and trade with ASEAN (+5%), which will reach $600 billion [20].

Investment in technology will grow by 10%, with a focus on the development of domestic semiconductor production (7–14 nm), but US sanctions will limit access to advanced lithography systems, slowing chip production by 5% [27]. China's FDI in ASEAN will increase by 8% to $22 billion, strengthening the country's position in regional trade [20]. The People's Bank of China will keep its key rate at 3.7%, supporting domestic demand growth: retail sales will grow by 12–13% [22]. Trade with the Global South will grow by 5% to $1.9 trillion, primarily due to exports of consumer goods and projects within the Belt and Road Initiative [20].

This scenario strengthens China's role as a regional economic leader, but leaves it vulnerable due to its dependence on exports to the EU and geopolitical risks, including the possibility of new sanctions from the US and EU.

Further expansion of hostilities or tightening of sanctions against Russia could exacerbate the energy crisis in the EU. Gas prices could reach €400/MWh by 2026, triggering inflation of 10–12% and a 0.5–1% decline in GDP [8; 10]. High energy costs will increase production costs by 50%, leading to a decline in output in the chemical industry (-10%), metallurgy (-8%) and automotive manufacturing (-7%). Approximately 500,000 jobs are expected to be lost in these sectors, which will exacerbate social tensions, particularly in Eastern European countries where inflation may exceed 20% (Poland, Hungary) [6]. EU exports will decline by 5% due to lower demand in China (–6%) and the US (–4%), as well as trade barriers, in particular additional duties on European goods [10; 27]. Defence spending will increase to $450 billion by 2027, increasing Italy's public debt to 160% of GDP and Greece's to 170% [7; 26]. Investments in renewable energy will decline by 20% due to fiscal constraints, which will slow down the achievement of climate goals, in particular carbon neutrality by 2050 [10]. Dependence on LNG imports from the United States will increase by 10%, raising annual costs by €12 billion [17].

Growing social discontent – due to strikes by farmers and workers – is expected primarily in countries with high inflation. This scenario highlights the EU's vulnerability to external shocks and its limited capacity for rapid economic recovery due to energy costs and debt burdens.

The intensification of the conflict will be accompanied by new sanctions against the aggressor country and, indirectly, against China, which will slow down economic growth. In 2026, GDP growth will slow to 2–3% due to a 5–7% decline in exports to the EU, primarily in the electronics (–10%) and textiles (–8%) sectors [22]. Foreign direct investment from China to Europe will fall by 40% to €4.7 billion as a result of tighter regulation of investment in strategic sectors such as energy and technology [27]. Spending on developing proprietary technologies will increase by 20% as US sanctions restrict access to advanced microchips and equipment, forcing China to rely on domestic solutions with a 14 nm process [20]. Energy imports from Russia will increase by 10%, but logistics problems and restrictions on Chinese banks using SWIFT will lead to a 10% decline in bilateral trade [4; 15]. To compensate for the losses, China's investments in ASEAN and Africa will increase by 15% to $25 billion, offsetting about 70% of the losses in the European market [20]. Trade with the Global South will grow by 7% to $1.95 trillion, thanks to exports of consumer goods and projects under the Belt and Road Initiative. Inflation will rise to 3%, forcing the People's Bank of China to raise its key rate to 4%, curbing domestic investment (-3%) and reducing retail sales growth by 2% [22].

Thus, the scenario highlights China's vulnerability to Western sanctions, but at the same time confirms its ability to reorient its foreign economic activity towards non-

Western markets, partially mitigating the negative impact.

The following scenario examines the consequences of a protracted war characterised by sustained high-intensity hostilities and prolonged economic isolation of the aggressor state. A long-lasting low-intensity conflict without political resolution is expected to result in chronic economic instability within the EU. Energy prices will likely remain at a level of 200–250 EUR/MWh, maintaining inflation at around 5–6% [8], [17]. GDP growth is projected to remain subdued at 0.5–1% annually due to elevated energy costs undermining industrial competitiveness. By 2028, industrial output may decline by 5%, with Germany (–6%) and Poland (–5.5%) being particularly affected; energy-intensive sectors such as metallurgy may lose up to 15% of capacity [6]. Exports to China could fall by 2–3% due to heightened trade barriers, including tariffs on European cars reaching 10% [4], [27]. Dependence on LNG imports from the US and Qatar is expected to increase by 15%, adding EUR 8 billion annually to energy expenditure [17]. Defence spending will stabilise at around USD 400 billion, while long-term investments in renewable energy and infrastructure are projected to decline by 10%, delaying the transition to a green economy. The share of renewables may remain at 25%, preventing achievement of the 32% target by 2030 [10]. Social unrest is likely to persist, particularly in Hungary and Romania, where food prices may increase by over 10% [6]. Italy's public debt is projected to reach 155% of GDP and Greece's 170%, constraining fiscal capacity for economic stimulus [7].

This scenario illustrates how prolonged conflict systematically depletes the EU's financial, energy, and social resources, contributes to structural economic stagnation, deteriorates the investment climate due to increased risks and costs, and gradually erodes the region's global competitiveness, rendering it less attractive for long-term investment and strategic partnership.

A protracted war will also generate chronic instability for China, slowing its GDP growth to 3–4% annually [22]. Exports to the EU may fall by 3–5%, particularly in electronics (–7%) and machinery (–5%), due to reduced demand and intensified trade barriers [10]. Sanctions on technology will increase reliance on domestic semiconductor production, raising R&D expenditures by 12%–up to CNY 3.2 trillion by 2027 [20]. While energy prices are expected to remain relatively low (oil at USD 60–70/barrel), trade with the aggressor state could contract by 5–7% amid its economic challenges, including a 10% drop in demand for Chinese goods [4; 15]. Investment in ASEAN countries is projected to rise by 10%, reaching USD 23 billion, while trade with the Global South may grow by 7–8%, reaching USD 2 trillion by 2028, supported by consumer goods exports and infrastructure initiatives [20]. The People's Bank of China will likely maintain interest rates at 3.8%, but domestic demand is expected to fall by 2% due to rising prices for imported goods, especially electronics and raw materials [22]. FDI inflows to Europe are expected to remain low (EUR 5 billion), limiting access to European markets [27]. This scenario highlights China's dependence on exports and the urgent need to accelerate technological self-reliance to offset losses in Western markets.

Thus, such developments underscore how a protracted conflict exacerbates the structural vulnerabilities of China's economy–particularly its dependence on exports and imported technologies–while complicating access to Western markets and technology, thereby increasing costs of import substitution. Under these conditions, economic growth slows, and the reorientation of trade and investment flows towards ASEAN and the Global South only partially compensates for losses, thereby increasing geoeconomic fragmentation. As a result, while China retains its position as a regional leader, it loses part of its global influence as an attractive and technologically integrated economy.

The following scenario analyses the potential economic effects of conflict de-escalation and gradual recovery, characterised by partial lifting of restrictions, normalisation of trade, and restoration of investor confidence.

De-escalation of the conflict, accompanied by partial restoration of trade links–including limited gas supplies from the aggressor state–would create favourable conditions for economic stabilisation in the EU. Energy prices may decline to 80–120 EUR/MWh by 2027, contributing to reduced inflation levels of 2–3% [8; 17]. Between 2026 and 2028, GDP growth is projected at 2–2.5%, supported by a 4% recovery in industrial output and increased exports to China (+5%) and the United States (+4%) [10]. Investment in renewables is expected to accelerate, reaching EUR 300 billion by 2030, raising the share of renewables to 30% and reducing CO_2 emissions by 10% [10; 17]. Industrial growth is anticipated, particularly in the chemical (+5%) and metallurgical (+4%) sectors, potentially creating up to 300,000 new jobs. Export growth will be driven by increased demand for automobiles (+6%) and pharmaceuticals (+5%) [10]. Defence expenditure will decline to USD 350 billion, allowing for increased allocations to social programmes (+2%) and R&D (up to 2.5% of GDP) [26], [11]. Public debt in Italy and Greece will stabilise at 145% and 160% of GDP, respectively, thereby enhancing fiscal sustainability [7].

The next scenario explores the consequences of a protracted war marked by sustained high-intensity hostilities and the prolonged economic isolation of the aggressor state. A long-term low-intensity conflict without a political resolution will lead to chronic economic instability within the European Union. Energy prices are projected to remain at €200–250/MWh, maintaining inflation at 5–6% [8], [17]. GDP growth is expected to remain constrained at 0.5–1% annually, as elevated energy costs erode industrial competitiveness. By 2028, industrial output is forecast to decline by 5%, with Germany (–6%) and Poland (–5.5%) particularly affected, especially in energy-intensive sectors such as metallurgy, which may lose up to 15% of capacity [6]. Exports to China will decline by 2–3% due to heightened trade barriers, including tariffs on European automobiles reaching up to 10% [4], [27]. Dependence on LNG imports from the US and Qatar will increase by 15%, raising annual costs by €8 billion [17]. Defence expenditure will stabilise at $400 billion, but long-term investments in renewables and infrastructure are likely to decline by 10%, slowing the green transition. The share of renewable energy will remain at 25%, impeding the target of 32% by 2030 [10]. Social unrest will persist, notably in Hungary and Romania, where food prices are projected to rise by over 10% [6]. Public debt in Italy is expected to reach 155% of GDP, and in Greece 170%, limiting fiscal space for economic stimulation [7].

This scenario illustrates how prolonged conflict systematically depletes the EU's financial, energy, and social

resources, resulting in a structural deceleration of economic growth, deteriorating investment climate due to heightened risks and costs, and gradually diminishing the region's global competitiveness–ultimately rendering it less attractive for long-term capital allocation and strategic partnerships.

Protracted war would similarly generate chronic instability for China, slowing GDP growth to 3–4% annually [22]. Exports to the EU may contract by 3–5%, particularly in electronics (–7%) and machinery (–5%) owing to reduced demand and intensified trade restrictions [10]. Technology-related sanctions will heighten reliance on domestic semiconductor production, pushing R&D expenditures up by 12%, reaching ¥3.2 trillion by 2027 [20]. Energy prices are expected to remain relatively low (oil: $60–70/barrel); however, trade with the aggressor state is projected to decline by 5–7% due to the latter's economic difficulties, including a 10% drop in demand for Chinese goods [4], [15]. Investments in ASEAN will rise by 10% to $23 billion, and trade with the Global South will grow by 7–8%, reaching $2 trillion by 2028–driven by consumer goods exports and infrastructure projects [20]. The People's Bank of China is expected to maintain the interest rate at 3.8%, yet domestic demand may decline by 2% due to rising prices for imported goods–especially electronics and raw materials [22]. Foreign direct investment in Europe will remain low (€5 billion), limiting market access [27].

This scenario underscores China's reliance on export-led growth and highlights the urgent need to achieve technological self-sufficiency to offset losses in Western markets. Such developments reinforce China's structural vulnerabilities, notably its dependence on export and technological imports, complicating access to Western markets and resulting in elevated costs associated with import substitution. Under these conditions, economic growth decelerates, and the partial compensation via increased trade and investment with the Global South and ASEAN intensifies geoeconomic fragmentation. Consequently, while China maintains its status as a regional leader, it loses some of its influence as a globally integrated and investment-attractive economy.

Conclusions. The war in Ukraine has become a catalyst for profound transformations in the global economy, exposing its vulnerabilities and highlighting the urgent need for strategic adaptation. The analysis of its consequences for the EU and China allows for the formulation of several key conclusions.

The European Union has suffered significant losses due to the reduction of gas supplies (from 155 to 65 billion cubic metres) and a sharp increase in prices up to €300/MWh, which led to a recession in Germany (–0.3% GDP), a 6.5% decline in industrial output, and inflation reaching 9.2% [6]. In contrast, China benefited from access to cheap energy resources (Urals oil at $60/barrel, gas at $5–7/MBtu), which enabled growth in the industrial sector (+4% in chemicals, +3% in electronics) [15]. However, technology-related sanctions increased R&D expenditures by 15% [27]. These outcomes reflect the asymmetrical nature of the war's impact, rooted in differing economic models and geopolitical strategies.

The war has also accelerated the fragmentation of the global economy, dividing it into Western and non-Western blocs. China has intensified cooperation with ASEAN, Africa, and Russia [4], [20], while the EU has strengthened ties with the United States and the Global South [17]. This fragmentation is accompanied by the rise of tariff and non-tariff barriers. Continued escalation will deepen the divide, whereas de-escalation could provide opportunities for partial trade recovery.

The energy crisis has acted as a catalyst for accelerating the green transition. The EU has invested €200 billion in the REPowerEU programme, increasing the share of renewables to 25% [10]; China has committed ¥380 billion, reaching a 17% share [20]. Nonetheless, the high cost of LNG imports and related infrastructure projects has slowed the EU's transition, especially under fiscal constraints. In an escalation scenario, investments in the energy transition may fall by 20%.

To enhance economic resilience, both regions are advised to diversify resource sources (EU through LNG and renewables; China through imports from the Middle East and Africa), strengthen technological autonomy (domestic chip production in the EU, overcoming sanctions in China) [9], [22], develop regional alliances (Global South for the EU, Belt and Road Initiative for China), and maintain social stability (social spending in the EU, monetary stimulus in China).

Escalation scenarios threaten stagnation (GDP growth of 0.5–1% in the EU, 3–4% in China), rising social tensions, increased fiscal burdens, and failure to meet climate targets. Conversely, de-escalation offers the potential for recovery and improved global cooperation.

In sum, the war in Ukraine represents a turning point in the formation of a new economic architecture. The ability of the EU and China to adapt to current challenges will determine not only their own resilience but also the stability of the global economy. Without coordinated responses, the risks of fragmentation, stagnation, and climate-related threats will intensify.

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