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Rebuilding Ukraine offers Europe a strategic opportunity

- *The EU stands to benefit in industry, energy, raw materials and defence*
- *Benefits far outweigh the costs*
- *An EU Marshall Plan and FDI are the keys to success*
- *Austria could be a major beneficiary*

Rebuilding Ukraine will be one of Europe's largest economic undertakings since the Second World War. At the end of 2025, the cost was estimated at more than EUR 500 billion – a figure likely to rise substantially before the war ends.

As Ukraine cannot shoulder this burden alone, the EU will have to provide the bulk of the support. Yet, as a new study by the Vienna Institute for International Economic Studies (wiiw) concludes, rebuilding Ukraine is not simply a financial burden for Europe. If done well, it will above all represent a strategic investment in Europe's own economic competitiveness, military security and geopolitical autonomy.

'With the right approach, rebuilding Ukraine can strengthen Europe's supply chains, create new industrial capacity and reduce its dependence on critical energy and raw material imports,' says Olga Pindyuk, Ukraine expert at wiiw and author of the study.

A Marshall Plan for Ukraine

The scale of the task far exceeds Ukraine's financial resources. Its GDP stood at around EUR 190 billion in 2025. According to the study, financing reconstruction itself would require Ukraine to spend around 15% of its GDP annually for a decade – even assuming average nominal GDP growth of 15% a year. Meanwhile, public debt already exceeds 100% of GDP.

The wiiw study therefore warns that financing reconstruction through new loans could push Ukraine into a debt spiral. *'Ukraine must be able to fund its reconstruction primarily through grants that do not have to be repaid. These should also be used to attract as much private capital as possible,'* Pindyuk explains, pointing to the Marshall Plan for Western Europe after the Second World War. More than 90% of that support also took the form of grants.

However, the funding currently envisaged by the EU falls short of reconstruction needs. Under the current proposal for the EU's 2028-2034 long-term budget, around EUR 13.5 billion a year would be allocated to Ukraine. The study estimates that at least EUR 32 billion in annual EU funding would be needed – or more than twice the proposed amount.

Better protection against risks for private investors

Since this public funding is also intended to mobilise substantial private capital – particularly foreign direct investment (FDI) – the study calls for a significant expansion of government-backed credit guarantees and investment risk insurance. At the same time, to build investor confidence, Ukraine must make decisive progress on strengthening the rule of law, reforming its judiciary, fighting corruption and adopting EU standards.

Advancing EU integration

South Korea's experience after the Korean War shows that successful economic recovery depends on more than the amount of financial aid. A clear national development strategy, strong government ownership of its implementation, and integration into the international economy were all crucial.

'Ukraine's reconstruction should therefore be closely linked to its EU accession process,' says Pindyuk. *'The more closely Ukraine is integrated into the European single market and European value chains, the greater the economic benefits will be for both sides. The EU's eastward enlargement demonstrated this compellingly.'*

An opportunity for European industry

Reconstruction could bring substantial economic benefits to the EU, the study finds. Given its size and well-educated population, Ukraine has considerable potential both as a manufacturing base and as a market for European goods. It could also become more closely integrated into European value chains.

New production capacity – particularly in the automotive, defence, aerospace and electronics industries – could help shorten supply chains and reduce Europe's reliance on manufacturing outside the continent. Ukraine also has significant renewable energy potential and could make a major contribution to Europe's energy security and decarbonisation efforts.

The country's raw material deposits are of particular strategic importance. Ukraine has deposits of 25 of the 34 raw materials classified as critical by the EU, including lithium, titanium and manganese. Closer economic integration should help Europe reduce its heavy dependence on China for these materials.

Drone technology and military innovation

Ukraine could also play an important role in strengthening Europe's defence capabilities. Closer integration of Ukrainian manufacturers into the European defence industry could expand production capacity, accelerate innovation and help overcome bottlenecks in Europe's rearmament efforts more quickly.

Ukraine's defence industry, which has expanded significantly since the start of the war, has extensive hands-on experience in developing and producing modern weapons systems, particularly drones, electronic warfare technologies and digital battlefield management systems.

Austria stands to gain substantially

Rebuilding Ukraine offers considerable economic opportunities for Austria, in particular. Austrian companies have a long-established presence in Central and Eastern Europe and operate in many sectors likely to benefit significantly from reconstruction. These include machinery and plant engineering, construction, energy, transport, environmental technology, water treatment, banking and insurance, retail and industrial services.

The EU's enlargement towards Eastern Europe illustrates the scale of the potential benefits for Austria's economy. Austria benefited enormously from economic growth and rising demand in the new eastern member states as well as from relocating parts of its production processes to these countries. The stock of Austrian FDI in the EU's 11 eastern member states rose from EUR 2.5 billion in 1997 to EUR 91.3 billion in 2024.

'With their extensive experience in Central and Eastern Europe – and, in some cases, an established presence in Ukraine – Austrian companies are well placed to reap substantial benefits, both directly and indirectly, from Ukraine's reconstruction and EU integration,' Pindyuk notes.

The full study is available for download here.

About the Vienna Institute for International Economic Studies (wiiw)

Founded in 1972, the Vienna Institute for International Economic Studies (wiiw) is an economic think tank that produces economic analyses and forecasts on 23 countries in Central, East and Southeast Europe. In addition, wiiw conducts research in the areas of European integration, macroeconomics, international economics, industrial studies, labour markets and regional development. www.wiiw.ac.at

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