

THE IMPACT OF MARTIAL LAW ON ECONOMIC ACTIVITY IN UKRAINE

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Abstract

This article examines the impact of the legal regime of martial law on economic activity in Ukraine. It analyzes key challenges faced by businesses under armed aggression, including disruptions to economic ties, destruction of production and transport infrastructure, complications in logistics, and overall economic instability. Military operations caused substantial material losses and required rapid adaptation to new legal and economic conditions. The study pays particular attention to the legal framework governing economic activity during martial law, highlighting legislation that defines the economy's specific functioning and state mechanisms influencing business operations. The application of force majeure provisions in cases where contractual obligations cannot be fulfilled due to hostilities is emphasized as crucial for ensuring legal certainty. The article also considers the effects of martial law on logistics and foreign economic activity, noting that damaged transport infrastructure, port restrictions, and reliance on alternative routes have complicated export and import operations and increased costs. Government support measures are examined, including relocation of enterprises from combat zones to safer regions, preserving production capacity, jobs, and economic activity. Simplified procedures for starting and conducting business, such as declarative permissions for certain activities, are also highlighted. The study concludes that martial law has significantly transformed the conditions of economic activity in Ukraine, while stimulating the development of flexible legal mechanisms for regulation. Effective state policy supporting entrepreneurship, improving the regulatory framework, and the ability of businesses to adapt to crisis conditions are identified as essential for ensuring economic stability and facilitating the restoration of the state's economic activity.

Keywords: commercial law, martial law, economic activity, business entities, state regulation of the economy, economic stability.

1. Introduction

The full-scale armed aggression against Ukraine and the introduction of martial law have fundamentally altered the conditions for the functioning of the national economy and the legal environment in which business entities operate. Economic activity, as a key component of state stability, has been significantly affected by military operations, which have led to the destruction of infrastructure, disruption of supply chains, loss of production capacities, and increased risks for entrepreneurial activity (Resolution of the Cabinet of Ministers of Ukraine, 2022). In such circumstances, the role of legal regulation becomes particularly important, as it must ensure both the continuity of economic processes and the protection of the rights and interests of business entities

under conditions of heightened uncertainty (Kulakova, 2023). The legal regime of martial law introduces a specific framework for the organisation of economic activity, characterised by a combination of restrictive measures and regulatory flexibility. On the one hand, the state is compelled to impose certain limitations related to security needs, including restrictions on movement, use of property, and certain types of economic operations (Andrushchenko, 2022). On the other hand, there is a clear necessity to create favourable conditions for the preservation and adaptation of business, which is reflected in the introduction of simplified procedures, deregulation measures, and targeted state support programmes.

In this context, particular importance is attached to the issue of legal certainty in contractual relations. The inability of business entities to fulfil their obligations due to hostilities, occupation of territories, or destruction of assets necessitates the active application of force majeure provisions. The proper legal interpretation and implementation of such mechanisms are essential for maintaining trust in economic relations and preventing unjust liability. Furthermore, martial law has had a profound impact on logistics and foreign economic activity. The blockade or restriction of traditional transport routes, especially maritime channels, has forced businesses to reorient supply chains and rely on alternative, often more costly, logistical solutions. This has significantly affected export-import operations, increased transaction costs, and reduced the competitiveness of Ukrainian enterprises in international markets (Serebryak, 2023).

At the same time, the state has undertaken a number of measures aimed at supporting economic activity under wartime conditions. These include the relocation of enterprises from areas of active hostilities to safer regions, the introduction of simplified procedures for starting and conducting business, and the implementation of regulatory adjustments designed to reduce administrative burdens. Such measures are intended to preserve production potential, maintain employment, and ensure the resilience of the national economy. The purpose of this article is to analyse the impact of the legal regime of martial law on economic activity in Ukraine, to identify the key challenges faced by business entities, and to assess the effectiveness of legal mechanisms and state policies aimed at ensuring economic stability under conditions of armed conflict. The study is based on a systematic analysis of legislation, as well as the application of general scientific and special legal methods, including formal-logical and comparative approaches.

The scientific novelty of the research lies in the comprehensive examination of martial law as a factor transforming the legal regulation of economic activity, as well as in identifying the interrelation between restrictive measures and mechanisms of economic support. The practical significance of the study consists in the possibility of using its conclusions to improve legal regulation and to enhance the effectiveness of state policy in supporting business under crisis conditions.

2. Literature Review

The issue of economic activity under martial law has attracted considerable scholarly attention, particularly in the context of the full-scale armed aggression against Ukraine. The legal foundations of such activity are primarily determined by the Law of Ukraine “On the Legal Regime of Martial Law”, which establishes the general framework for the functioning of the state, including the possibility of introducing temporary restrictions on economic rights, special regimes of property use, and enhanced powers of public authorities in regulating economic processes (Law of Ukraine, 2015). This normative act serves as the cornerstone for understanding the transformation of economic relations under extraordinary conditions.

A number of scholars have examined the regulatory peculiarities of economic activity during martial law. In particular, Andrushchenko (2022) emphasises that the

legal regulation of business under such conditions is characterised by a combination of restrictive and facilitative measures aimed at maintaining economic stability. Similarly, Sieriebriak (2023) highlights the adaptive nature of legal regulation, noting that the state introduces flexible mechanisms to ensure the continuity of business operations while addressing security challenges. These studies underline the dual nature of legal influence on economic activity during wartime.

An important aspect of the functioning of business entities under martial law is the application of force majeure provisions. The legal basis for recognising such circumstances is closely linked to the activities of chambers of commerce and industry, which are authorised to certify force majeure events in accordance with the Law of Ukraine "On Chambers of Commerce and Industry in Ukraine" (1997). This mechanism plays a crucial role in ensuring legal certainty in contractual relations when obligations cannot be fulfilled due to hostilities.

The economic consequences of martial law have also been analysed from the perspective of logistics and cost formation. Kulakova, Kalembet, and Podkopova point out that military actions significantly increase logistical costs for enterprises due to the destruction of infrastructure, disruption of supply chains, and the need to use alternative transport routes (Kulakova et al., 2023). These findings are consistent with broader observations regarding the reorientation of logistics and the increased financial burden on businesses operating under wartime conditions.

In addition to restrictive factors, the literature also highlights state measures aimed at supporting economic activity. Government initiatives, such as the relocation of enterprises from combat zones to safer regions, are regulated by specific acts, including the Resolution of the Cabinet of Ministers of Ukraine No. 246-p (2022). These measures are designed to preserve production capacity, maintain employment, and ensure the continuity of economic processes. Moreover, the Resolution of the Cabinet of Ministers No. 314 introduces simplified procedures for conducting business, including declarative principles for obtaining permits, which significantly reduce administrative barriers (Resolution of the Cabinet of Ministers of Ukraine? 2022).

Scholars have also focused on the broader impact of martial law on entrepreneurial activity. Pankova and Hutsaliuk note that businesses in Ukraine face unprecedented challenges, including uncertainty, financial losses, and the need for rapid adaptation, while at the same time benefiting from certain deregulatory initiatives introduced by the state (Pankova and Gutsalyuk, 2023). In this regard, analytical materials from the American Chamber of Commerce in Ukraine further confirm the trend towards simplification of regulatory procedures and the creation of more flexible conditions for business operations during martial law (Simplification of the conditions for conducting economic activity during a period of martial law (emergency), 2026).

Despite the existing body of research, it should be noted that most studies address individual aspects of economic activity under martial law such as legal regulation, logistics, or state support without offering a comprehensive analysis of their interrelation. Therefore, there remains a need for an integrated approach that would combine legal and economic perspectives in assessing the impact of martial law on business activity in Ukraine.

Despite the availability of scientific research on the issues of legal regulation of economic activity under martial law, some aspects of this issue remain insufficiently studied. In particular, further scientific analysis of the effectiveness of the application of legal mechanisms to support business entities, the adaptation of business activities to wartime conditions, as well as the improvement of regulatory and legal regulation of economic relations taking into account new economic challenges, is required. In addition, research into the impact of martial law on the organization of economic activity, the functioning of the permitting system, and the implementation of state policy in the field of business support remains relevant

2. Materials and Methods

This study is based on a comprehensive analysis of the legal and economic aspects of the functioning of economic activity in Ukraine under the legal regime of martial law. The research relies on a combination of normative legal acts, academic literature, and analytical materials that reflect both the regulatory framework and practical challenges faced by business entities in wartime conditions.

The primary materials of the study include legislative and subordinate normative acts of Ukraine that establish the legal foundations of economic activity during martial law. In particular, the Law of Ukraine “On the Legal Regime of Martial Law” serves as the key legal source defining the general principles and specific features of state regulation under extraordinary conditions. In addition, the study considers the provisions of the Law of Ukraine “On Chambers of Commerce and Industry in Ukraine”, which regulate the certification of force majeure circumstances, as well as resolutions of the Cabinet of Ministers of Ukraine, including Resolution No. 314 on ensuring the conduct of economic activity and Resolution No. 246-p concerning the relocation of enterprises from areas of hostilities. These legal acts provide the normative basis for analysing state policy and regulatory mechanisms affecting business operations.

The empirical and analytical foundation of the research is supplemented by scholarly publications addressing various aspects of economic activity under martial law. These include studies on the legal regulation of business activity, the challenges of entrepreneurial activity and the transformation of logistics and cost structures. Additional insights are drawn from analytical reports, including materials of the American Chamber of Commerce in Ukraine, which provide practical perspectives on the simplification of business conditions during wartime.

The methodological framework of the study is based on a combination of general scientific and special legal methods. The method of analysis and synthesis is used to examine the content of legal norms and to identify key trends in the regulation of economic activity. The formal-logical method enables the interpretation of legislative provisions and the clarification of their internal consistency. The system-structural method is applied to determine the interrelation between different elements of the regulatory framework and their impact on economic processes.

In addition, the comparative method is employed to assess the interaction between restrictive and facilitative legal mechanisms introduced under martial law. This approach allows for the identification of the balance between state control and deregulation measures aimed at supporting business activity. The functional method is used to evaluate the effectiveness of specific legal instruments, such as force majeure certification, simplified permitting procedures, and enterprise relocation policies. The study also applies elements of a qualitative approach, as it focuses on the interpretation of legal norms, doctrinal positions, and practical implications rather than quantitative measurement. This allows for a deeper understanding of the transformation of economic activity under martial law and the role of legal regulation in ensuring economic resilience.

Overall, the chosen materials and methods provide a comprehensive basis for analysing the impact of martial law on economic activity in Ukraine, enabling the identification of key challenges, regulatory responses, and prospects for further development of legal support for economic activity.

3. Result and Discussion

The introduction of the legal regime of martial law in Ukraine has had a profound and multidimensional impact on the functioning of the national economy and the conditions under which economic activity is carried out. Business entities have been compelled to operate in an environment characterised by heightened security risks, macroeconomic instability, and the necessity for rapid institutional and operational

adaptation. The armed aggression has not only disrupted traditional economic processes but has also fundamentally transformed the legal and regulatory framework governing economic relations (Kulakova et al., 2023). As a result, economic activity in Ukraine under martial law is increasingly shaped by the interplay between restrictive state measures and adaptive legal mechanisms designed to ensure continuity and resilience.

One of the most immediate consequences of the war has been the direct material damage inflicted upon enterprises. A significant number of businesses have suffered losses due to the destruction of production facilities, damage to transport and energy infrastructure, and the interruption of supply chains. Industrial regions, particularly those located near active combat zones, have experienced substantial declines in production capacity. For instance, manufacturing enterprises reliant on fixed infrastructure such as metallurgy, heavy industry, and energy production have been disproportionately affected due to their limited mobility and high dependence on stable logistical networks.

In addition to physical destruction, enterprises have faced the collapse of established economic linkages. Many business relationships have been disrupted due to the occupation of territories, displacement of populations, or the cessation of operations by counterparties. This has led to a systemic breakdown of contractual chains, where the inability of one party to perform obligations triggers cascading failures across multiple sectors. Consequently, economic activity has increasingly taken place under conditions of persistent uncertainty, requiring both flexible legal responses and strategic adaptation by business entities.

The legal framework governing economic activity during martial law is primarily defined by the Law of Ukraine "On the Legal Regime of Martial Law" (Law of Ukraine, 2015). This legislative act establishes the authority of state bodies to introduce special measures aimed at safeguarding national security, stabilising the economy, and ensuring the functioning of critical sectors. These measures include, inter alia, the temporary restriction of certain rights and freedoms, the requisition or controlled use of private property for defence purposes, and the introduction of special operational regimes for specific industries. From a legal perspective, these provisions significantly alter the operating environment for business entities. Enterprises must account for potential state intervention in their activities, including the possibility of resource reallocation, changes in regulatory requirements, and limitations on economic autonomy. While such measures are justified by the exigencies of national defence, they introduce additional layers of legal and operational complexity that businesses must navigate.

A particularly acute challenge arising from martial law is the inability of enterprises to fulfil contractual obligations. The disruption of production processes, logistical constraints, and forceful interruptions of economic activity have led to widespread instances of non-performance or delayed performance. In this context, the doctrine of force majeure has assumed central importance as a legal mechanism for mitigating liability.

Under the Law of Ukraine "On Chambers of Commerce and Industry in Ukraine" (Law of Ukraine, 1997), military aggression and hostilities are recognised as circumstances of force majeure. This recognition allows parties to contractual relationships to seek exemption from liability where non-performance is directly attributable to such circumstances. However, the practical application of force majeure provisions requires careful legal assessment, as businesses must demonstrate a causal link between the war-related event and their inability to perform contractual obligations.

For example, a manufacturing enterprise unable to deliver goods due to the destruction of its production facility may invoke force majeure, provided it can substantiate the impact of hostilities on its operations. Conversely, a company experiencing general economic difficulties without a direct link to war-related events may face challenges in relying on this legal mechanism. Thus, while force majeure provides an essential safeguard, its application remains context-dependent and requires evidentiary support.

The impact of martial law is particularly evident in the sphere of logistics, which constitutes a critical component of economic activity. The destruction of transport infrastructure, including roads, railways, and ports, has significantly disrupted the movement of goods. Maritime logistics, which traditionally played a central role in Ukraine’s export-oriented economy, has been severely constrained due to security risks and operational restrictions on ports.

As noted by Kulakova, Kalembet, and Podkopova, enterprises have experienced a substantial increase in logistical costs as a result of these disruptions (Kulakova, 2023). Businesses have been forced to rely on alternative transport routes, such as overland corridors through neighbouring countries, which are often more expensive and less efficient. This has led to increased production costs, reduced profit margins, and diminished competitiveness in international markets.

To illustrate the key transformations in logistics under martial law, the following table 1 summarises the main changes and their economic implications:

Table 1. main changes and their economic implications

Aspect of Logistics	Pre-Martial Law Conditions	Martial Law Conditions	Economic Impact
Transport routes	Stable, optimised routes	Disrupted, rerouted logistics	Increased delivery time and costs
Maritime exports	High reliance on ports	Restricted port operations	Reduced export volumes
Supply chains	Established and predictable	Fragmented and unstable	Increased uncertainty
Fuel availability	Relatively stable	Periodic shortages	Rising operational costs
Cross-border trade	Efficient customs procedures	Overloaded border checkpoints	Delays and congestion

The table demonstrates that logistical disruptions have had systemic effects across all sectors of the economy, reinforcing the need for both infrastructural recovery and adaptive logistical strategies.

In response to these challenges, the Ukrainian government has implemented a range of measures aimed at supporting business activity and preserving economic potential. One of the most significant initiatives has been the relocation of enterprises from combat zones to safer regions. This policy is formalised in the Resolution of the Cabinet of Ministers of Ukraine No. 246-p (Resolution of the Cabinet of Ministers of Ukraine, 2022), which establishes a framework for the transfer of production capacities.

The relocation programme has enabled numerous enterprises to resume operations in relatively secure areas, thereby preserving jobs and maintaining production. For example, several manufacturing companies from eastern Ukraine have successfully re-established operations in western regions, benefiting from state assistance in transportation, infrastructure access, and administrative facilitation. While relocation entails significant costs and organisational challenges, it represents a critical mechanism for ensuring the continuity of economic activity. Another key area of reform has been the simplification of regulatory procedures. The Resolution of the Cabinet of Ministers of Ukraine No. 314 (Resolution of the Cabinet of Ministers of Ukraine, 2022) introduced a declarative principle for certain types of economic activity, allowing businesses to operate without obtaining traditional licences or permits. Instead, enterprises are required to submit a declaration confirming their compliance with legal requirements. This approach has significantly reduced administrative barriers and enabled faster entry

into economic activity. For newly established businesses or those resuming operations after disruption, the declarative system provides a flexible and efficient alternative to traditional licensing procedures. At the same time, it places greater responsibility on businesses to ensure compliance with regulatory standards.

However, this deregulation has not been without limitations. Beginning on 14 March 2025, the automatic extension of licences and permits was abolished, requiring businesses to renew or obtain such documents in accordance with standard procedures (Pankova and Gutsalyuk, 2023). This shift reflects a gradual transition from emergency regulatory measures towards the restoration of normal legal order.

The implications of this change are twofold. On the one hand, it enhances regulatory oversight and ensures compliance with legal standards. On the other hand, it increases administrative burdens on businesses, particularly those operating under resource constraints. Enterprises must now engage in more rigorous planning to avoid disruptions caused by expired permits or non-compliance. In addition to regulatory reforms, the state has introduced measures to simplify interactions between businesses and public authorities. One such measure is the suspension of statutory deadlines for administrative procedures, which allows businesses greater flexibility in fulfilling regulatory obligations (Simplification of the conditions for conducting economic activity during a period of martial law (emergency), 2026). This approach acknowledges the practical difficulties faced by enterprises in wartime conditions and provides a degree of procedural relief. The financial dimension of economic activity has also been significantly affected by martial law. Enterprises operate in an environment characterised by fluctuating exchange rates, inflationary pressures, and reduced consumer demand. These factors contribute to increased financial risks and necessitate strategic adjustments in business models. For instance, companies have been compelled to diversify their markets, optimise costs, and adopt more flexible operational strategies. Some enterprises have shifted from export-oriented models to domestic markets, while others have explored digitalisation and remote service provision as means of sustaining activity. These adaptive strategies highlight the resilience of Ukrainian businesses, but also underscore the structural challenges posed by the wartime economy.

Overall, the results of this study indicate that martial law has led to a fundamental transformation of economic activity in Ukraine. The legal and economic environment has become more complex, requiring a delicate balance between state intervention and market autonomy. While restrictive measures are necessary for national security, they must be complemented by supportive policies that enable businesses to adapt and survive.

In this context, the effectiveness of state policy is determined by its ability to maintain this balance. Flexible legal regulation, timely administrative decisions, and targeted support measures play a crucial role in mitigating the negative effects of war and creating conditions for economic recovery. At the same time, the evolving nature of the conflict necessitates continuous adaptation of both legal frameworks and business practices. In conclusion, the findings demonstrate that economic activity under martial law is characterised by a dynamic interplay between disruption and adaptation. While the challenges are substantial, the combination of legal innovation, state support, and business resilience provides a foundation for sustaining economic stability and facilitating future recovery.

4. Conclusions

The conducted research demonstrates that the introduction of the legal regime of martial law in Ukraine has led to a profound transformation of the conditions under which economic activity is carried out. Business entities have been forced to operate in an environment characterised by heightened risks, instability, and significant structural disruptions, including the destruction of infrastructure, breakdown of established

economic ties, and complications in logistics and foreign economic activity. These factors have substantially affected the sustainability and efficiency of entrepreneurial activity, requiring rapid adaptation to new legal and economic realities.

At the same time, the study confirms that the legal framework governing economic activity under martial law plays a decisive role in ensuring the continuity of business processes. The provisions of the Law of Ukraine “On the Legal Regime of Martial Law”, along with related нормативно-правові акти, establish a special regulatory regime that combines restrictive measures necessary for national security with mechanisms aimed at supporting economic stability. In particular, the application of force majeure provisions under the Law of Ukraine “On Chambers of Commerce and Industry in Ukraine” has become an essential legal instrument for mitigating the consequences of non-performance of contractual obligations caused by hostilities.

The research also highlights the significant impact of martial law on logistics and cost structures, which has resulted in increased operational expenses and reduced competitiveness of enterprises. At the same time, state support measures such as the relocation of enterprises and the introduction of simplified procedures for conducting business have played an important role in preserving production capacity, maintaining employment, and enabling businesses to continue their activities under challenging conditions. An important finding of the study is the dynamic nature of legal regulation during martial law. The transition from simplified and deregulated procedures towards the gradual restoration of standard regulatory mechanisms, including the renewal of licences and permits, reflects the state’s attempt to balance the need for economic support with the necessity of ensuring proper legal oversight. This demonstrates that the regulatory framework is not static but evolves in response to changing socio-economic conditions.

Furthermore, the analysis indicates that the effectiveness of economic activity under martial law depends not only on state policy but also on the adaptability of business entities. Enterprises that are capable of revising their business models, optimising costs, and exploring alternative markets and logistics solutions are better positioned to withstand кризові умови and maintain their economic viability.

In general, martial law has significantly complicated the functioning of the national economy, while simultaneously stimulating the development of flexible legal mechanisms and adaptive economic practices. The findings of this study suggest that further improvement of the regulatory framework, enhancement of state support measures, and strengthening of legal certainty in economic relations are essential for ensuring long-term economic stability and facilitating post-war recovery.

Future research should focus on assessing the effectiveness of specific regulatory instruments, analysing comparative international experiences of economic functioning under emergency regimes, and developing recommendations for improving legal regulation in conditions of prolonged crisis.

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