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# The Benefits and Opportunities of Ukraine's EU Accession

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# 01

## Foreword

Every enlargement of the European Union is one of a kind. Change in the composition of member states challenges its political and institutional structure, highlighting core questions of what the EU is really about.

When discussing Ukraine's membership, this is truer today than ever before. The ongoing war in Ukraine is not just a regional crisis but a struggle for the principles that form the core of the European project: sovereignty, democracy, the rule of law and human rights.

Russia's attempt to move the borders of a European country by force is not only an act of abandoning the European security architecture. It is an attempt to reset the rules and question whether democracies will defend the post-war multilateral system. Do nations have the right to live in peace, choosing their own paths, or do we allow authoritarian leaders to override these long-held principles?

The European response to Russian aggression must address these same core questions.

This means that we have to defend the rules-based world order by showing a credible path for applicant countries such as Ukraine to join the EU once they have fulfilled the conditions for membership – a realistic goal that is achievable with European support.

Ukraine's path to EU membership will demand substantial political, economic and structural adjustments from both Ukraine and the EU. However, the potential rewards are significant. Ukraine's membership will strengthen our collective security and reinforce our commitment to democratic principles and human rights.

The authors of this report provide a comprehensive analysis of the implications of Ukraine joining the European Union. They highlight the potential for Ukraine to strengthen the EU's defence capabilities, enhance its technological and energy sectors, and contribute to its agricultural and economic growth. At the same time, they acknowledge the significant reforms and support required to integrate Ukraine fully into the EU framework.

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# 02

## Executive Summary

The war in Ukraine stands at a critical juncture. Kyiv's major offensive last year failed to make the decisive breakthrough many had hoped for. Russia has continued to rebuild its economy around the war effort and gained a tactical advantage, making incremental advances on the frontline. With the conflict entering a crucial phase, priority must be given not only to supplying Ukraine to fight the war but to potential pathways that can guarantee Ukraine a secure and prosperous future. Admitting Ukraine as a member of the European Union is a crucial option for Ukraine and for the EU's security – but realising this will require key decisions in Kyiv, in Brussels and in EU capitals.

In December 2023 the European Council opened accession negotiations for Ukraine. This is a significant step with important implications for both Ukraine and the EU. In March 2024 EU leaders welcomed the progress made by Ukraine on its path to membership and on Friday 14 June EU ambassadors agreed in principle on the negotiating framework for Ukraine's accession.

The potential challenges Ukraine's membership presents to the EU have been comprehensively explored. The potential benefits its accession would bring are, however, less clearly articulated. A further gap in the assessment is how Ukraine's accession could help catalyse internal reforms that better position the EU for a new era of geopolitical tests. This paper seeks to fill that gap.

*Ukraine's accession process and eventual membership pose clear challenges.*

As one of Europe's poorest states,<sup>1</sup> Ukraine, at war, will require significant political, economic and structural support from the EU.

Its membership will have profound impacts on the EU's internal structures. Given it has agricultural land the size of Italy, Ukraine's membership will necessitate significant reform in the EU's Common Agricultural Policy.

As a member, Ukraine will become the sixth most populous EU member state; this will raise important questions on the need for the EU to enact institutional reform, for example to voting mechanisms and decision-making processes.

Discussions around the EU budget, as well as the consequences that

Ukraine's accession would have for EU cohesion policy, might trigger difficult debates. Discussions on Ukraine's open borders could also become an obstacle to progress on accession talks.

Ukraine's progression into the EU is directly proportional to deepening internal EU debate on its future and structural reforms. The European Commission recently confirmed that Ukraine has completed the outstanding steps on reform required for the start of formal talks, in particular in the fight against corruption, de-oligarchisation and the protection of national minorities. The Belgian presidency of the Council of the European Union will now call the first intergovernmental conference on 25 June.

*The challenges of Ukraine's accession come in areas where the EU is already considering reform.*

In areas such as agricultural policy, institutional reform and defence policy, Ukraine's accession will ignite much-needed internal discussion about the need for reform. Ukraine's membership, and the preparations the EU will need to make for it, have the potential to move the EU towards a wider phase of enlargement. This paper addresses a number of these areas.

*Ukraine's membership will also come with significant benefits.*

One of the most important of these is defence and security which, if leveraged effectively, will strengthen the EU as a geopolitical actor and global player. Ukraine is now a major military power, with direct experience of fighting modern warfare.

Ukraine's growing energy sector would support the EU to move even more rapidly towards self-sufficiency, while its vibrant tech sector would benefit the EU's technological revolution. Ukraine is among the most richly endowed European countries in terms of critical and strategic raw materials needed for tech advances.

Ukraine's accession also presents important possibilities for other candidate countries, such as Moldova and the Western Balkan countries, as well as in terms of changes to the overall EU political architecture which could be relevant to countries such as the UK. We set these out and offer thoughts on how the EU can build on Ukraine's accession process to its benefit.

ACCESSION PROCESS

## A Fresh Look at Ukraine's Accession

01

Ukraine's accession to the EU could be faster than expected, depending on the outcome of the conflict, but the process underlying it requires urgent decisions if it is to unfold in a manner that benefits both sides. This must include a proper analysis of both the challenges it will bring, as well as the positives. Building on this, clear recommendations on how the EU and Ukraine must prepare themselves for Kyiv's accession can then emerge. Clearly, the timeline will depend on how events unfold on the ground and on the internal reforms adopted in Kyiv, but preparations on the EU side will be central to facilitating the process. President of the European Council Charles Michel<sup>2</sup> recently mentioned 2030 as a target date for the accession of several candidate countries, but President of the European Commission Ursula von der Leyen has indicated that the European Commission has not set a specific date; it would prefer to assess the progress achieved by countries on an individual basis.

The draft negotiating framework for Ukraine, submitted to the Council of the European Union (the Council) in March 2024 and adopted in principle on 14 June 2024, establishes the guidelines and principles for the accession negotiations, including the principles governing the negotiations, their substance and the process. The objective of the negotiations is to ensure that Ukraine adopts the EU *acquis* (the body of common rights and obligations that is binding on all the EU member states) in its entirety and enforces it in full.

The candidate country then moves on to formal membership negotiations. This process focuses on the adoption of established EU law and implementation of the judicial, administrative and economic reforms needed. When negotiations are completed, the EU assesses its internal absorption capacity and, finally, terms and conditions for accession are incorporated into

an accession treaty.



# 03

## Ukraine Will Extend Europe's Power-Projection Capabilities in Multiple Domains

Ukraine's membership of the EU will come with significant requirements of both sides. The EU will have to grasp the opportunity to make preparatory internal reforms. Kyiv, meanwhile, will need to undertake important domestic reforms. However, if these steps are managed carefully, Ukraine has the potential to substantially add to the EU's capabilities in multiple domains.

### **UKRAINE IS A MAJOR MILITARY POWER THAT WOULD ADD DEPTH TO EU DEFENCE CAPABILITIES**

The war in Ukraine has demonstrated that a new chapter in modern warfare has begun. While the need for larger, conventional weapons such as advanced tanks and aircraft remains, the use of new, cheaper weapons such as drones has shown how quickly countries can adapt to and scale technological advances. Ukraine is at the forefront of this evolution; it has focused on the widespread use of drones and cyber capabilities to augment and supplement traditional military hardware.

Ukraine's need for cheaper, domestically produced arms at a rapid pace has helped accelerate this new age of drone warfare. Companies with a history of producing larger aircraft, such as Antonov, have pivoted to manufacture smaller, cheaper and more easily deployable drone craft. These played integral roles in halting the initial Russian invasion, as well as in subsequent Ukrainian counteroffensives.

The largest economies in the EU – Germany, Italy and France – have all averaged below the target of spending 2 per cent of GDP on defence put forth by NATO; collectively the EU averaged 1.6 per cent spending in 2022 according to the World Bank.<sup>3</sup> While there are some large defence manufacturers in countries such as Germany, Italy and France, a potential lack of long-term investment by governments means that significant debate is now ongoing, particularly in the United States, on the viability of NATO and whether Europe is meaningfully equipped to defend itself.

Ukraine's rapidly growing defence industry and military capability would inject much-needed human and technological capital into the EU's larger defence ecosystem.

Ukraine's defence industry has seen considerable investment recently. Turkish dronemaker Baykar, for instance, has announced it will invest \$100 million in three projects in Ukraine, including production capability for the Bayraktar TB2 attack drone.<sup>4</sup> In September German regulators also approved a joint venture between Rheinmetall and the Ukrainian joint-stock company Ukrainian Defence Industry. The agreement will see production facilities established in Kyiv with the aim of producing a six-figure number of 155mm artillery shells annually. Reports suggest that while the agreement initially foresees Rheinmetall helping maintain vehicles supplied by Ukraine, over time the aspiration exists for it to include the joint production of products and systems.<sup>5</sup> These examples are signs investment in the defence sector has started, but there is enormous potential for it to be scaled up, deepening cooperation between Ukraine and the European defence sector.

The European Commission has announced the opening of an EU Defence Innovation office in Kyiv to support the further integration of Ukraine into European defence programmes, allowing EU countries to learn from the experiences of the Ukrainian military on the battlefield.

Technology is transforming Ukraine's military capabilities. A good example is the role US technology company Palantir is playing in Ukraine. Palantir has been working across a number of ministries to support the military in AI-assisted target designation and is expanding this support to aggregate varied data streams to assist in mine clearance. The evolving war is giving tech companies and the Ukrainian military the chance to test, refine and perfect new technologies that are quickly changing the nature of war. Ukraine's Minister of Digital Transformation Mykhailo Fedorov recently noted that the government's "big mission is to make Ukraine the world's tech R&D lab".<sup>6</sup> It is precisely these growing capabilities that would bolster wider EU defence, particularly the defence-technology sector.

Ukraine now has one of the largest standing armies in Europe with around 1 million personnel. While this number has obviously increased due to war-related mobilisation, these soldiers are also now some of the most experienced military personnel globally – particularly in terms of the new forms of modern urban and trench warfare. The addition of this fighting force

to the EU's would increase its ability to quickly respond to a future conflict, particularly if it is fought along similar lines to the war in Ukraine. Ukraine's armed forces are now the best in the world in terms of recent, direct combat experience.<sup>7</sup>

The EU will have to engage in much-needed internal discussion on the future of its defence strategy as part of the enlargement process: the EU is a peace project built in a totally different time and now requires a deep system reset to address new challenges. The EU has never aspired to compete with NATO; defence capabilities are not part of its fundamental basis. Nevertheless, the EU must grapple with change. The next EU institutional cycle could see the creation of the role of a defence commissioner, charged with coordinating EU efforts on weapons procurement and production – raising questions around how this would play out in terms of coordination with the Council, EU member states' sovereign defence prerogatives and interactions with NATO. The challenges and possibilities are many and diverse.

Ukraine's technical expertise, equipment, combat-ready armies, strategists and knowledge will benefit European ambitions for common defence, which is urgently needed in an increasingly unstable and hostile geopolitical environment.

### **UKRAINE HAS A VIBRANT TECH SECTOR**

Ukraine has a highly developed tech sector, which has continued to grow despite the economic impact of the war.

The IT Ukraine Association states that between 2016 and 2021 tech exports tripled to almost \$7 billion per year. While Russia's invasion has had a significant impact on much of the economy, the tech sector has remained resilient. By the end of 2022 Ukraine's IT exports had grown nearly 7 per cent.<sup>8</sup> Data for 2022 show that only 2 per cent of the roughly 5,000 companies in Ukraine's tech sector ceased trading because of the war,<sup>9</sup> while a report from July 2022 indicated Ukraine's tech companies had been able to maintain 95 per cent of their contracts.<sup>10</sup>

In an October 2023 report, the Centre for Strategic and International Studies (CSIS) think-tank noted Ukraine has more than 4,000 ICT companies, one of the largest 4G networks in Europe and the fourth-highest number of certified tech professionals in the world. The report said that in 2020 around 80 per

cent of Ukraine's population had access to the internet, the 4G network provided coverage for 91.6 per cent of the population and in 2021 Ukraine had 55.9 million mobile-phone subscriptions.<sup>11</sup>

Ukraine's tech capability is particularly noteworthy in defence and security due to the war with Russia. As the Atlantic Council notes, of Ukraine's roughly 300,000 tech professionals, around 3 per cent are serving in the armed forces and 12 to 15 per cent are contributing to the country's cyber-defence.<sup>12</sup> It also notes that Ukraine's IT ecosystem has had to defend against Russian cyber-attacks for many years, experience which is proving "integral" to the country's security.

The dynamic interaction between Ukraine's government, defence sector and tech sector is catalysing important innovations at the cutting edge of warfare. As examples of this, the Atlantic Council highlights Brave1, which acts as hub for the state and the private sector to innovate, and the Geographic Information System for Artillery (GIS Arta) app. GIS Arta has been described as the "Uber for artillery" and is proving a particularly groundbreaking tech innovation.<sup>13</sup>

Harnessing these types of capabilities fully within a wider defence strategy would be a significant positive for the EU, which has been investing very significantly in Ukraine's resilience and structural reforms in the sector, and continues to support Ukraine in cyber-defence and against hybrid threats.

## **EU TRADE WILL INCREASE WITH UKRAINE AS PART OF THE SINGLE MARKET**

The EU is Ukraine's biggest trading partner, accounting for 56 per cent of its trade in goods in 2023.<sup>14</sup> Exports to the EU have been aided by "Solidarity Lanes" that help Ukraine export its products by road, rail and inland waterways. Ukraine's main exports are cereals, oilseeds, animal fat, iron and steel. The EU exports mineral fuels and mineral oils, vehicles, electric machinery and plastics to Ukraine.

*Ukraine already enjoys considerable trade access to the EU.*

Since Russia's invasion Ukraine has benefitted from trade liberalisation in certain sectors and other concessions with the EU, with import duties,<sup>15</sup> quotas and trade-defence measures suspended on a temporary basis.<sup>16</sup> To better integrate with the EU, Ukraine is already working on national legislation

to align with EU norms and standards.

The European Commission has put in place specific measures to facilitate Ukraine's early access to the EU single market, particularly through the signature of an association agreement to make Ukraine part of the Single Market Programme.<sup>17</sup> A new Priority Action Plan has also been established as a roadmap to accelerate and monitor the full implementation of the existing EU-Ukraine Deep and Comprehensive Free Trade Area.

Extending Ukraine's access to the single market will result in free movement and boost growth prospects, potentially strengthening the EU's competitiveness in global trade.

*The accession process and membership will see Ukraine's trade with the EU increase.*

As part of our analysis on Ukraine's accession we modelled<sup>18</sup> the impact of EU membership on Kyiv's imports and exports (see Annex for regression results). Each additional year as a member of the EU has an incremental positive effect on Ukraine's trade with other EU members. By 2040, the model predicts 15 per cent higher imports and 9 per cent higher exports for Ukraine if it gains EU accession in 2030.

## **UKRAINE HAS A WELL-EDUCATED AND SKILLED WORKFORCE**

Russia's invasion has led to significant migration of Ukrainian citizens into the EU, particularly into countries bordering Ukraine. Some 4.2 million people have benefitted from temporary protection in the EU.<sup>19</sup> Analysis by the Migration Policy Institute Europe (MPI Europe) from May 2023 found that, in general, displaced Ukrainians have already made good progress in entering EU labour markets.<sup>20</sup>

Full EU membership would bring with it the prospect of further migration. Ukrainians have strengths that would bolster the EU's labour market. According to Bratislava-based think-tank GLOBSEC, 58 per cent of those aged 30 to 34 in Ukraine have completed tertiary education, compared to an average in the EU of 40 per cent.<sup>21</sup> In 2020, 44 per cent of Ukraine's active population had completed secondary education, while 54 per cent had either completed, or were enrolled in, tertiary education.<sup>22</sup> Furthermore, while Ukraine's Programme for International Student Assessment (PISA) scores fall

below the EU average at present, they are “easily the best” among accession countries.<sup>23</sup>

These skills will not only be highly valuable to the wider EU workforce but will be vital in Ukraine’s reconstruction. GLOBSEC notes that of the 18 million Ukrainians who left the country since the war, more than ten million have now returned. The Ukrainian government is also likely to develop further plans to help incentivise the return of migrants when wider reconstruction gets underway.

The EU has adopted legislation to ensure the swift and effective integration of beneficiaries of temporary protection into the labour market;<sup>24</sup> there are several tools available at EU level to support Ukrainians to become part of the EU labour market.

MPI Europe notes that many Ukrainian migrants have prioritised finding employment quickly over finding work suited to their skills. Maximising the potential of these workers by matching them to jobs that are better aligned with their skills will be an important next phase of EU policy. This will need to go hand in hand with appropriate national-level labour-market policies to ensure domestic support, which is increasingly urgent given recent European Parliament election results.

## **UKRAINE’S MEMBERSHIP COULD CATALYSE GREATER FOOD SECURITY IN EUROPE**

Ukraine is a major global agricultural producer. As GLOBSEC has noted: “With its fertile black soil, good climate and favourable water system, Ukraine was traditionally considered a breadbasket of Europe.” Over 71 per cent of its surface is agricultural land<sup>25</sup> and 56 per cent is arable.<sup>26</sup> Before the war, Ukraine’s agriculture sector accounted for 11 per cent of GDP, 20 per cent of its workforce and around 40 per cent of exports.<sup>27</sup>

Ukraine therefore has significant potential to add to Europe’s food supply. GLOBSEC argues that in the long term Ukraine will make an important contribution to food security in Europe. This will include stabilising prices and preventing inflation. It also notes that Ukraine’s abundant, fertile agrarian land will offer important possibilities for organic production.<sup>28</sup>

Ukraine’s Deputy Minister of Economy Taras Kachka has also argued that combining the Ukrainian food system and supply with the EU’s could make it

easier for Europe to meet climate goals, ensure food security and the profitability of produce.<sup>29</sup>

Ukrainian grain production will be key for the stability of internal EU food supply and for its trade. Ukraine is also the world's largest exporter of sunflower oil, the third largest of barley (18 per cent), the fourth largest of maize (16 per cent) and the fifth largest of wheat (12 per cent).<sup>30</sup>

A stable Ukraine in the EU would make the EU a major exporter of cereals and grains. Ukrainian exports – especially wheat – are of crucial importance to some Asian and African countries. From 2016 to 2021, they received 92 per cent of Ukrainian wheat.<sup>31</sup>

### **UKRAINE WOULD HELP ACCELERATE EUROPE'S ENERGY TRANSITION**

Ukraine's membership could play an important role in transforming the EU's energy market. It would add significant further access to natural gas, as well as important potential to scale up the production of renewable energy. Ukraine, importantly, also has considerable gas-storage capability, which is already proving beneficial to Europe and will be an import asset in ensuring consistent energy supply during the energy-transition period.

GLOBSEC argues that Ukraine's candidate status and the EU's need for long-term solutions on energy are closely aligned, noting Ukraine's land can be used for generating solar, biomass and wind energy. It estimates Ukraine's potential energy generation at 667 gigawatts (GW), of which 251GW could come from offshore wind. Ukraine's total installed power-generation capacity is around 60GW, of which 6.5GW comes from renewable energy. GLOBSEC notes that Ukraine has the capacity to export 3 to 4GW of energy with its power infrastructure at normal levels, which could power 3 million homes. As Ukraine's energy sector expands there is significant potential for export to EU member states.<sup>32</sup>

Ukraine has the second most abundant natural gas deposits in Europe, behind Norway. According to experts, Ukraine's untapped natural resources could spur energy-production growth in the EU. *Harvard International Review* notes that Ukraine has a low annual reserve-usage rate of roughly 2 per cent and suggests that further exploration could identify undiscovered gas fields, increasing the volume of Ukraine's deposits.<sup>33</sup> Although Ukraine's gas reserves cannot be compared to those of Russia, they would help Europe fill part of the

gap left by Europe's shift away from Russian gas. Furthermore, due to the previous transport of Russian gas through Ukraine, a significant amount of the infrastructure needed to transport this gas to Europe is already built.

Hydrogen represents another important asset for Ukraine's energy sector. The EU and Ukraine are already working together on this kind of energy; the Memorandum of Understanding between the European Union and Ukraine on a Strategic Partnership on Biomethane, Hydrogen and other Synthetic Gases was signed in February 2023.<sup>34</sup>

Boosting Ukraine's natural resources could not only bolster its economy but also represent an asset for neighbouring countries. The EU imports 90 per cent of the gas it consumes.<sup>35</sup> In this context, prospective gas exporters such as Ukraine could become central to the EU.

Ukraine has become a gas-storage option despite the conflict with Russia partly because of the incentives it offers – cheap storage tariffs and three-year custom-duty exemptions, for example – which mean gas can easily be reimported into the EU.<sup>36</sup>

The importance of Ukrainian energy resources has been highlighted over the recent winter, when European companies accelerated withdrawals from Ukraine. These withdrawals help European nations maintain domestic-stockpile levels and ensure they have supply during prolonged cold periods.<sup>37</sup>

Ukraine's nuclear-energy production could also provide additional security for the EU. In January, Ukraine announced plans to build four new nuclear reactors, starting in mid to late 2024, taking its total number of reactors to 19. Despite security challenges, according to German Galushchenko, Ukraine's energy minister, the ambition is for the first of these reactors to be completed in two and a half years' time.

## **UKRAINE IS RICHLY ENDOWED WITH CRITICAL RAW MATERIALS**

Securing supplies of critical raw materials has become a central foreign-policy and trade objective for countries in a technological age. The European Commission acknowledges that raw materials are crucial to Europe's economy and notes that securing reliable access to certain critical raw materials is a growing concern within the EU. The EU produces some critical raw materials, for instance hafnium, but more generally it is reliant on non-EU



members for supply.<sup>38</sup>

FIGURE 1

## Ukraine's mineral wealth

<b>Metallic Minerals</b>	<b>Non-Metallic Minerals</b>	<b>Mineral Fuels</b>
<b>Iron:</b> 49.3 million metric tons (t) (6th place with 7.24 per cent of global output)	<b>Kaolin:</b> 1.68 million t (7th place with 3.96 per cent of global output)	<b>Steam coal:</b> 21.6 million t (12th place with 0.31 per cent of global output)
<b>Manganese:</b> 699,000 t (7th place with 3.62 per cent of global output)	<b>Zircon:</b> 16,000 t (11th place with 1.29 per cent of global output)	<b>Coking coal:</b> 6.43 million t (10th place with 0.62 per cent of global output)
<b>Titanium:</b> 537,000 t (5th place with 6.38 per cent of global output)	<b>Graphite:</b> 10,000 t (10th place with 1.06 per cent of global output)	<b>Uranium:</b> 900 t (9th place with 1.56 per cent of global output)

Source: World Mining Data. Note: The data reflect pre-invasion production levels from 2020.

According to Ukraine's Ministry of Ecology and Natural Resources, Kyiv is among the top ten countries globally in terms of proven reserves of titanium, iron and manganese. While lithium is not currently mined, Ukraine's reserves are near a third of those proven in Europe. It is one of the top five countries globally in terms of graphite reserves (around 19 million tons of ore) and has 12 silicate nickel fields. The country's cobalt reserves are around 9,000 tons. Rare-earth materials such as tantalum, niobium and beryllium are known to exist in six fields.

These reserves of critical raw materials are substantial. The ministry notes that Ukraine's reserves of titanium are equal to 15 years of global production. It also notes that known lithium and graphite reserves are sufficient to produce cathode and anode materials for lithium-ion batteries with a total capacity of 1,000 GW hours. This would support the manufacture of around 20 million electric vehicles.<sup>39</sup>

The EU and Ukraine kickstarted a strategic partnership on critical raw materials in 2021, followed in 2022 by a memorandum of understanding between the country and the European Bank for Development and Reconstruction. Cooperation between the EU and Ukraine is deepening, including on matters related to joint participation in value-chain investments opportunities,<sup>40</sup> capacity building and mobilisation of key financial instruments to secure new opportunities for both, strengthening Ukraine's position in the

EU.

In an era where the global supply of key commodities is hotly contested and significant efforts are being made to ensure more strategic autonomy in supply, Ukraine's critical raw-material supplies would be a welcome addition to the EU, not least given the fact they are a key enabling factor in energy transition and independence for Europe.

### **UKRAINE WOULD BE A STABILISING FACTOR FOR THE WIDER REGION**

Russia's invasion has undoubtedly put Ukraine high on the global agenda. President Volodymyr Zelensky has become a highly visible leader, travelling and engaging extensively to secure support for the country's war effort, including at this month's G7 meeting in Italy. It remains to be seen, of course, how the war ends and what role Zelensky will play, but his leadership has put Ukraine in a prominent position globally and on the right internal path to continue essential reforms: in the medium to long term Ukraine has a real opportunity to remain an important global actor well beyond the outcome of the war.

These global dimensions of Ukraine's foreign policy could add to the EU's global standing and strategy, and to its increasingly prominent and stabilising role in geopolitical challenges.

Deepening ties with the US could be a key part of this. Ukraine has become by far the top recipient of US foreign aid since the second world war.<sup>41</sup> The relationship between Ukraine and the US, notwithstanding delays earlier this year over the aid package in Washington, is strong, and the US will be one of the main actors in reconstruction, not only bilaterally but also as part of the Multi-agency Donor Coordination Platform for Ukraine.<sup>42</sup> Once the conflict is over, Ukraine could be a core element of US foreign policy on the European continent, acting as an anchor of the transatlantic relationship and provider of security and stability for the wider area. As the US's attention is increasingly drawn westwards, not eastwards, the possibility of a more secure Europe, built around Ukraine's EU membership, will be of great benefit to Washington.

With an end to the war, Ukraine could also play an important role in regional stability and help Eastern European countries integrate more deeply into the EU by acting as a focal point for EU policies and values. First, Ukraine will need a clear strategy to engage and deepen trust with the Western Balkan and

Caucasus countries. Second, the EU will need to demonstrate through Ukraine's accession that it stands by its commitments and that countries in the Western Balkans can move on a rapid trajectory toward membership.

# 04

## Accession Challenges Present an Opportunity to Build a Stronger European Union

Any accession process comes with challenges. In the case of Ukraine, however, some of these challenges are likely to add to ongoing debate about the need for internal reform in some areas.

### **UKRAINE'S ACCESSION WOULD CATALYSE EU INSTITUTIONAL REFORM**

Further enlargement of the EU might modify its internal decision-making processes and trigger reforms. Many of these are already being widely discussed within the EU.

For example, the allocation of the European Parliament's 720 seats will need to be revised (Ukraine would be allocated a similar number of seats to Poland and Spain, between 53 and 61); the power of the European Commission would grow with a new commissioner (Ukraine, like every EU member state, would have its own commissioner as part of the College of Commissioners, elected for a five-year term with assigned responsibility for a specific policy area as decided by the commission president); and the decision-making process at Council level will also be altered by the arrival of a new member state representing 33 million people.

Ukraine's accession will also affect the political balance among countries and move the EU eastward; it will impact on existing alliances and coalitions, and it will challenge the EU's structural ability to integrate new members. The International Centre for Defence and Security argues that the challenges of integrating Ukraine into the EU will require the EU to decide more promptly on matters of common concern and manage internal political fragmentation, which will have implications for decision-making processes and the overall political balance between southern, central and eastern European member states.<sup>43</sup>

## **VOTING MECHANISMS MAY NEED TO BE REASSESSED**

Today, most Council-level decisions are taken through qualified majority voting (QMV). A qualified majority is reached if two conditions are simultaneously met: 55 per cent of member states vote in favour – in practice this means 15 out of 27 – or the proposal is supported by member states representing at least 65 per cent of the total EU population.

This instrument allows member states to build coalitions; unanimity does not have to be reached for a policy to pass. About 80 per cent of decisions in the Council are taken using QMV. In some areas, unanimous decision-making is required. Key decisions in important policy areas are blocked when unanimity is not possible.

Based on existing analysis, while Ukraine's membership will potentially impact on voting mechanisms and decision-making processes, these require an update in any case and reform will put the EU on a stronger footing for wider enlargement and a more powerful geopolitical positioning.

## **TREATY CHANGE IS UNLIKELY TO BE REQUIRED**

Ukraine's accession process has catalysed discussion around institutional reform within the EU. In the context of these changes, however, member states are trying to avoid treaty changes, given the risk that the process could be derailed by member states' internal politics and voted down in a national referendum.

The Brussels Institute for Geopolitics suggests a case could be made for limited treaty change to preserve the EU's ability to protect its values and interests, while noting that appetite is "rather low" in several EU countries for bigger changes.<sup>44</sup>

Many argue that existing treaties already allow for significant modifications and changes when it comes to governing. Since the entry into force of the 2009 Lisbon Treaty, the EU has faced and absorbed many shocks without fundamentally altering its structure and institutional set-up.

As the Brussels Institute for Geopolitics observes, the Lisbon Treaty already allows different pathways for institutional reform without treaty changes. For example, no new treaty is needed to reduce the number of commissioners to two-thirds of the number of member states, if the European Council agrees it

unanimously. It also notes that certain votes in the Council can be abolished by utilising a *passerelle* clause.<sup>45</sup>

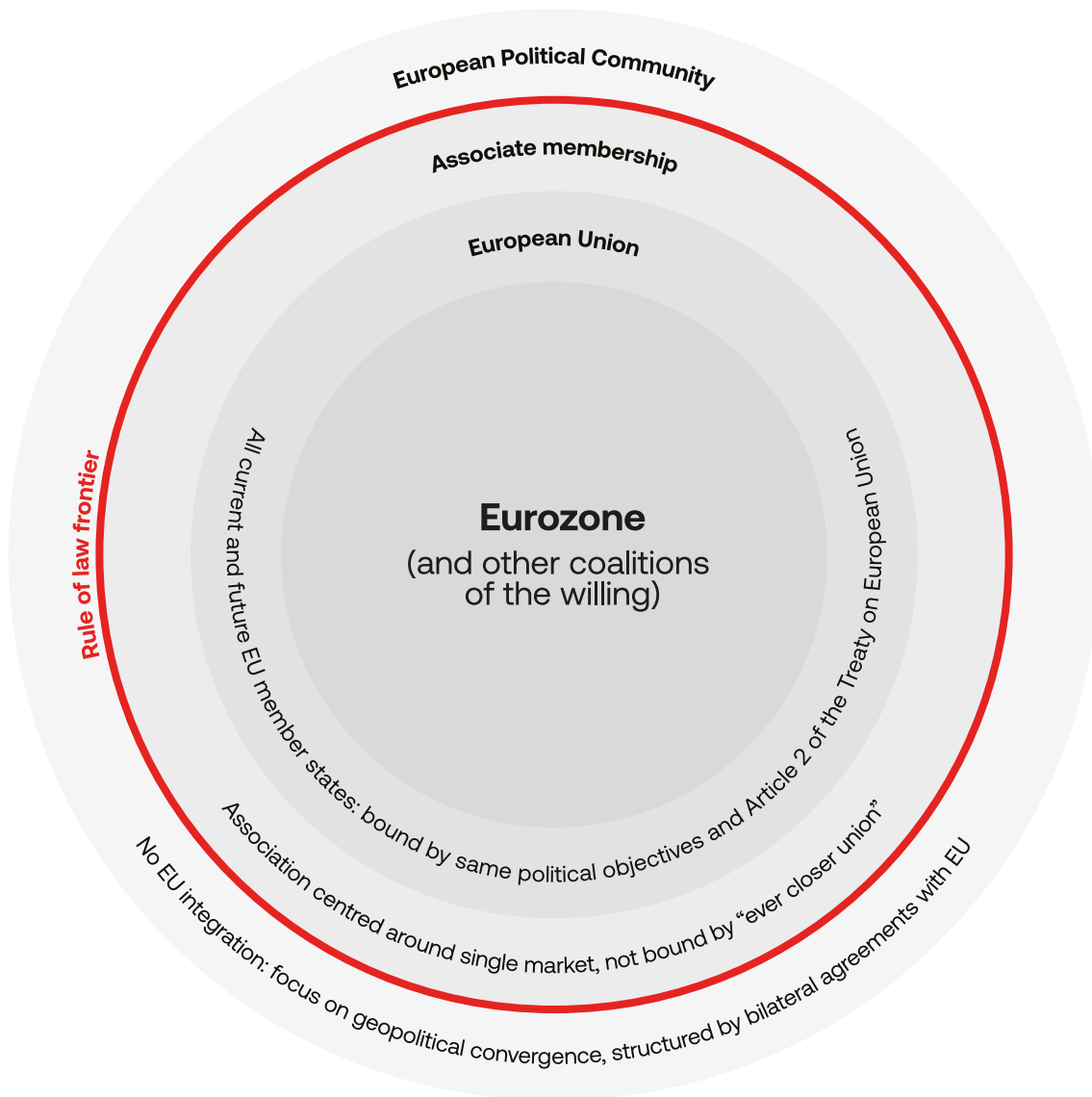
It appears possible, based on this analysis, for the EU to reform itself to prepare for wider enlargement without treaty change or, if treaty change is needed, for it to be made in a limited way.

### **THE NEXT PHASE OF ENLARGEMENT WILL DECIDE THE FUTURE SHAPE OF EUROPE**

The next phase of enlargement, depending on its speed and ambition, has potentially important implications for the future shape and structure of the EU. Depending on how quickly candidate countries such as Ukraine reform and how ambitious the EU is in terms of integrating them, it is possible conversations will resurface about a “multispeed Europe”, something French President Emmanuel Macron, for example, has argued is a viable way for the EU to address enlargement.<sup>46</sup> He has noted that the process for Ukraine and other candidate countries may not all have the same end point. How this phase of expansion unfolds – and how it shapes the relationships between the EU and candidate countries – will have important ramifications for the EU as a whole and the relationships it has with those outside it.

FIGURE 2

## The different relationships that countries could have with the EU



Source: The Franco-German working group on EU institutional reform

As the EU gears up for wider enlargement, new opportunities will emerge for countries such as the UK to engage with it. The possibility of joining an “outer

core” becomes more realistic for certain countries as the EU evolves. Whether it directly relates to Ukraine or not, Kyiv’s accession process will raise new positive questions on what type of relationship countries can have with the EU short of full membership.

### **UKRAINE’S MEMBERSHIP WILL TRIGGER IMPORTANT DISCUSSIONS ON THE EU BUDGET**

As the amount countries pay to the EU budget is GDP-based, and given Ukraine is one of the poorest countries in Europe (even if reconstruction will probably alter this situation by the time it joins), a number of existing member states who are net recipients of the budget could – according to some calculations – become net contributors.

The EU budget is funded primarily from member states’ contributions based on their gross national income and customs duties on imports from outside the EU.<sup>47</sup>

The key variable which will impact on Ukraine’s budgetary support will be its population size at the time of entry into the EU.<sup>48</sup> while Ukraine’s population was 41 million before the war, the most recent data from the International Monetary Fund estimate it at 33 million.<sup>49</sup> Ukraine’s income level has also fallen due to the war.

Different studies and research support contrasting viewpoints on Ukraine’s likely impact on the EU budget.

Michael Emerson of Brussels-based think-tank CEPS has acknowledged assessments that the cost of Ukraine’s membership would turn all of today’s net beneficiaries into net contributors. Analysis by CEPS, however, shows that this is misleading. Emerson notes that the EU’s proposed new €50 billion Ukraine Facility is already close to the “static estimate” of full membership.<sup>50</sup>

Cohesion policy is also worthy of note. It covers all EU structural funds made available to member states whose wealth is less than 90 per cent of the EU average (the Regional Development Fund, the Social Fund, Territorial Mechanism and the Cohesion Fund). Cohesion-policy instruments help the EU deliver on key policy objectives focusing on less developed countries and regions, with the aim of reducing the economic, social and territorial disparities that exist within the EU. Based on present conditions, Ukraine would be eligible for cohesion-policy instruments, in particular for the Regional



Development Fund and the Cohesion Fund.

The logic of cohesion funds is that the sums are retargeted to the countries where the biggest disparities exist to support growth at all societal levels. The choice with Ukraine's membership would be between an overall EU budget increase or smaller funds for each beneficiary.<sup>51</sup> With other candidate countries lined up to join, this thinking and preparation is needed in any case.

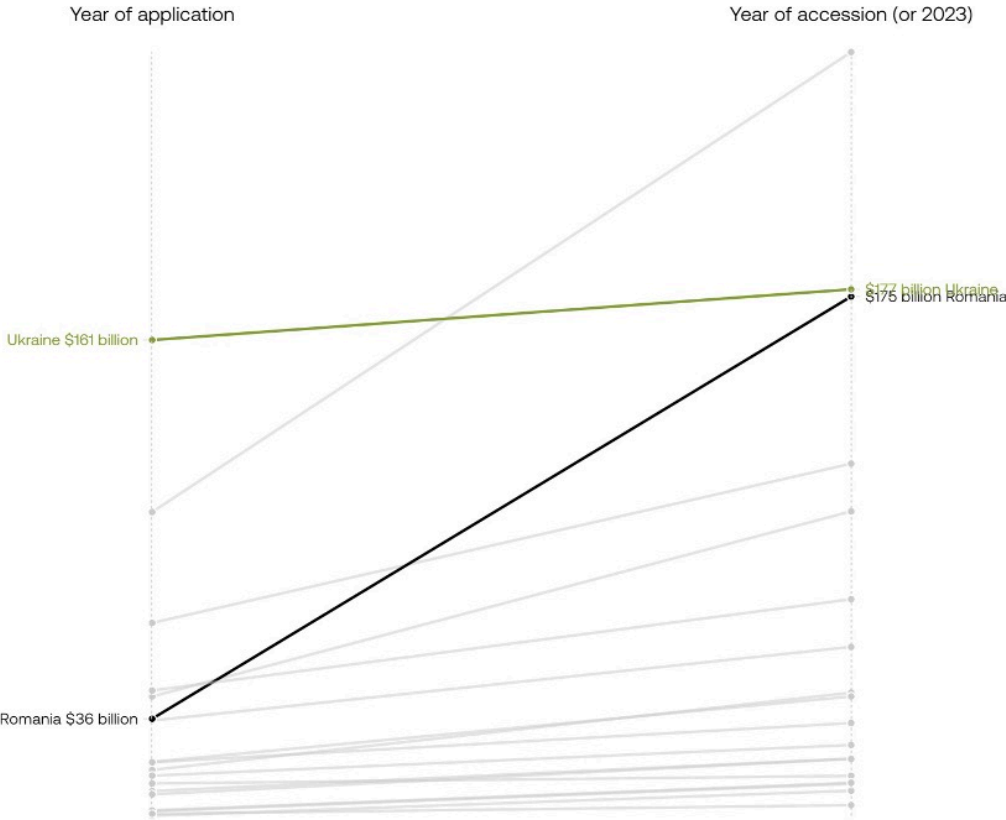
*Ukraine's membership, while impactful, could be comparable to those of Romania and Poland.*

While Ukraine is at present one of the poorest countries in Europe, its accession to the EU can be seen as manageable from the perspective of budgetary impact. Fears that Ukraine's accession will have a disproportionate impact upon the EU's budget can actually be alleviated by several control mechanisms already in place.

Data show Ukraine's EU accession would be comparable to that of Romania in terms of economic size and to that of Poland in population terms.

FIGURE 3

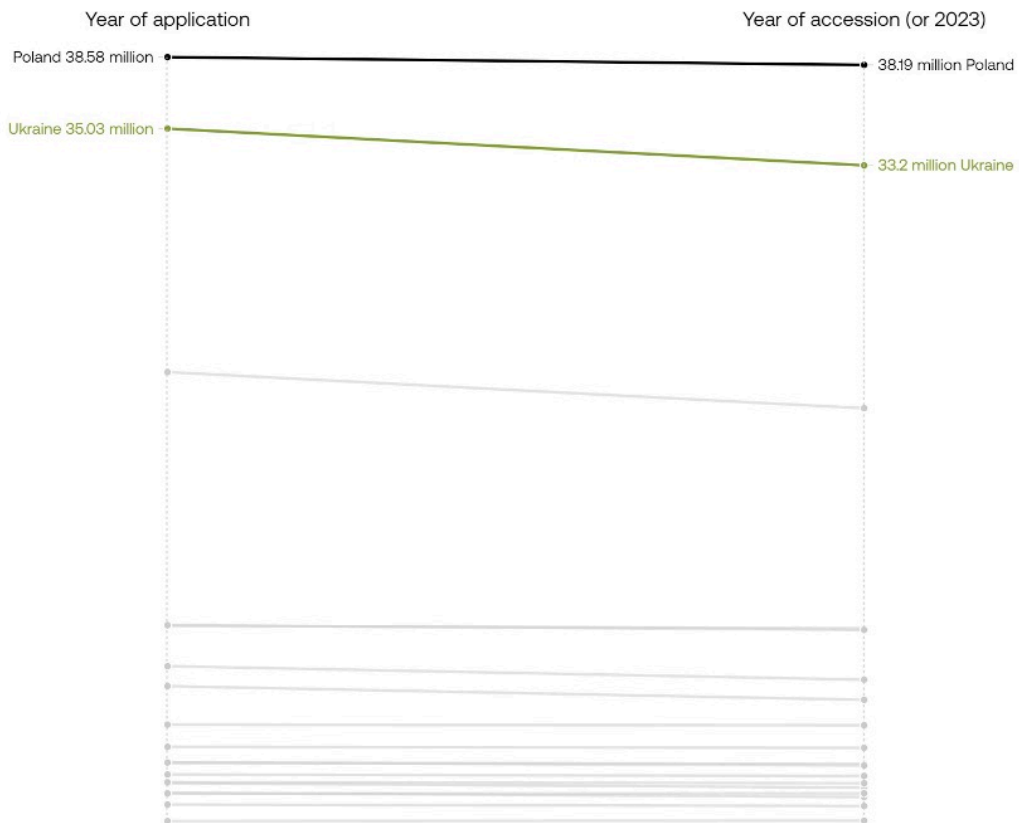
# Ukraine's accession would be comparable to Romania in terms of economic size (GDP in \$ billions)



Source: IMF World Economic Outlook Database

FIGURE 4

## Ukraine's accession would be comparable to Poland's in population terms



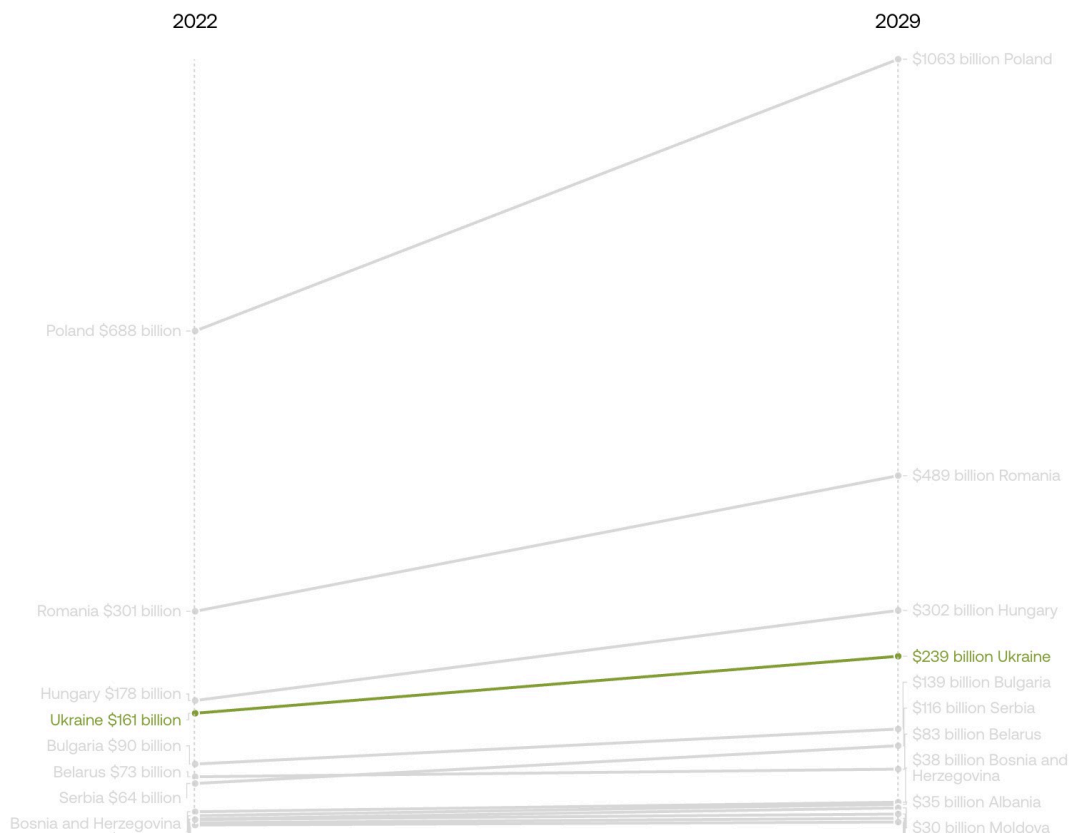
Source: IMF World Economic Outlook Database

Data suggest that if Ukraine were to join the EU today, the EU's economic output would increase by 1 per cent and its population by 9 per cent – a similar effect to Poland's accession to the EU in 2004.<sup>52</sup>

Next, GDP projections for Ukraine are compared with its neighbours. By 2029 Ukraine's GDP is projected to be \$239 billion, a 49 per cent increase from 2022.

FIGURE 5

## Ukraine's projected GDP growth 2022-2029 in regional context



Source: IMF World Economic Outlook Database

While the economic benefits of accession are important, the wider impacts should also be highlighted. In a recent report WiseEuropa highlights the importance of institutional reform in Poland in its journey of change. Notwithstanding recent difficulties in Poland, the report notes that the country made very significant institutional reforms within less than a generation.<sup>53</sup> Romania has just partially joined the EU's visa-free Schengen area and has made sufficient progress on judicial reforms and tackling corruption to close a post-accession benchmarking process.<sup>54</sup> The EU has delivered over half a century of peace, stability and prosperity; Ukraine, as part of that network, could play a key role in promoting these same benefits – as well as

democracy, fundamental freedoms and the rule of law – more widely.

### **ENLARGEMENT WILL SHARPEN DEBATE ON REFORM OF THE COMMON AGRICULTURAL POLICY**

A key challenge of Ukraine's EU membership lies in its implications for the EU's Common Agricultural Policy (CAP), which supports European farmers through a variety of mechanisms – in particular, direct financial subsidies.

In 2021 the total EU budget was €164.2 billion. Of this, €55.71 billion, or 33 per cent, accounted for the CAP.<sup>55</sup> The EU currently contains 157 million hectares of agricultural land.<sup>56</sup> Ukraine would add a further 41 million hectares.<sup>57</sup>

*Euractiv* recently reported on a leaked paper, drafted by the General Secretariat of the Council, containing calculations on the likely budgetary impact of Ukraine's EU membership.

The report notes that the current spending package for CAP for 2021 to 2027 is €378.5 billion. The paper assesses that Ukraine would be eligible for €96.5 billion in CAP funds, which could require a 20 per cent cut in subsidies to current EU member states.<sup>58</sup> A key point to note here is that 75 per cent of current subsidies comprise direct payments to farmers for each hectare of their land. Given the scale of Ukraine's available agricultural land, the subsidy model would likely need to either fundamentally shift in flows of support or require deep reform.

This challenge, however, has been acknowledged and is being discussed within the EU as part of a wider debate on CAP reform, particularly in the context of the funding package for the 2028 to 2034 Multiannual Financial Framework (MFF).

A spokesperson for the German Federal Ministry of Food and Agriculture said in March 2023: "If Ukraine were to join, then a system of direct payments as we have it today would definitely no longer work."<sup>59</sup>

Faustine Bas-Defossez of the European Environmental Bureau has argued that in the next CAP revision, after 2027, there should be a phase-out of area-based payments. She notes this would hit certain farmers hard, so a transition mechanism would be needed.<sup>60</sup>

A further challenge will be helping to regenerate Ukraine's agriculture sector,

which has been heavily targeted by Russia since the invasion.<sup>61</sup> The accession process and Ukraine's membership would have to take into account the work required to fully reconstruct this important sector. The Kyiv School of Economics says that the conflict has caused significant sectoral damage; its analysis in April 2023 points to \$8.7 billion in direct damage, with a further \$31.5 billion in indirect damage. It estimates that, as of that point, the reconstruction and recovery needs for the sector amounted to \$29.7 billion.<sup>62</sup> This will have increased since then and will continue to do so without a definitive end to the war.

As such, while Ukraine's potential membership of the EU will have profound impacts on the CAP, these come within the wider context of ongoing discussion on the need to reform the system.

### **UKRAINE'S ACCESSION PROCESS WILL HAVE IMPLICATIONS FOR THE EU CANDIDATE COUNTRIES**

While it is important for the EU to support Ukraine in the enlargement process, it is equally important to make the case for the accession of countries who have been in limbo for many years. The risk would be that these regions become polarised, and growing resentment in the Western Balkans meets escalating Russian propaganda and destabilisation.

Pressure to move forward on Ukraine does not seem – so far – to have rekindled similar enthusiasm between the Western Balkan countries and the EU, despite successful declarations at summits and notwithstanding the fact that the EU is the biggest investor in the region. Furthermore, regional conflicts and political disagreements, combined with the reluctance of some of the Western Balkan countries to fall in with the EU on sanctions against Russia, have not been addressed despite intense mediation efforts. A recent poll commissioned by the European Council on Foreign Relations shows that while there is considerable support for Ukraine, and to an extent Moldova, joining the EU, there are also deep economic and security concerns. The poll also shows coolness towards Turkish membership, as well as that of Georgia and most Western Balkan countries.<sup>63</sup>

At the same time, the European Council's latest decision to grant candidate status to Ukraine, Moldova, Bosnia and Herzegovina, and Georgia<sup>64</sup> has also returned the enlargement process to the heart of EU political debate. The geostrategic importance of the Western Balkans and Moldova should, more

than ever, be at the core of the EU's enlargement strategy.

New incentives to restart the process, both at national and European level, would be instrumental in creating new opportunities and initiatives to speed up pre-accession assistance, and opening structural and cohesion funds to those countries.

#### IMPACT OF THE WAR

## The Ongoing War Presents a Complex Backdrop for Membership

One of the core conditions for joining the EU as stated in the Copenhagen Criteria<sup>65</sup> is the ability to contribute to its peace and security.

The mutual defence clause – Article 42.7 of the Treaty on European Union – states that: “If a Member State is the victim of armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their power, in accordance with Article 51 of the United Nations Charter. This shall not prejudice the specific character of the security and defence policy of certain Member States.”

Once this article is activated by a member state under attack, all other member states must provide assistance. The article thus guarantees solidarity among member states in case of an armed aggression against any one of them. This assistance can, for example, range from diplomatic support and technical or medical assistance to civilian or military aid.<sup>66</sup> Member states have regularly held table-top and scenario-based exercises on the activation and implementation of the mutual-assistance clause, and the EU has been working intensely on hybrid scenarios and large-scale cyber-attacks, particularly since the 2021 Belarus hybrid attacks.<sup>67</sup> Article 42.7 is consistent

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with commitments under NATO.

Even if accession negotiations can be started with a country at war, they cannot be finalised until the conflict is over and, presently, the EU is unable to offer complete security guarantees or adequate military support unless spending and coordination among member states changes dramatically. Ukraine's membership process will require careful handling by both sides to mitigate any attempts by Russia to derail or impede accession.

Since 1989, all new member states that were formerly part of, or close to, the Soviet Union have transitioned to the EU via NATO or have joined the two at the same time.

In addition to political support, NATO has stepped up its logistical support to Ukraine, providing immediate, short-term, non-lethal military assistance, as well as structures to boost long-term support. NATO agreed in principle in 2008 that Ukraine could join but did not set out how that could happen, as the issue is closely linked to wider security guarantees<sup>68</sup> and how the war in Ukraine ends.

NATO membership does not appear imminent for Ukraine; EU accession appears a more realistic pathway. Some experts believe the Kremlin is also likely to view EU membership with less hostility than NATO membership.



## 05

## Conclusion

Ukraine's membership of the European Union has taken on important geopolitical dimensions. While urgency is rightly being given to supporting Ukraine in fighting the war against Russia, EU membership provides an important pathway to securing Ukraine's future. It helps secure Europe's eastern border, and it will rekindle the EU's discussion around defence, internal-voting mechanisms and foreign policy.

Opportunities presented by Ukraine's membership of the EU are multifaceted, including a highly skilled workforce, vibrant tech sector, significant armed forces and considerable resources in terms of critical raw materials, agriculture and energy.

But Europe will need to reform to address the potential challenges of Ukraine's membership and maximise the benefits. Many of the hurdles come in areas where the EU is already considering reform or would need to act in any case to be ready for the next phase of enlargement.

Ukraine's accession process could bring a range of practical benefits to Europe while also serving as a catalyst to reform the EU to act in a more strategic way for a new era of geopolitical challenges.

For the process to succeed, important steps are required.

The **European Union** will need to think through and lay out a clear internal-reform plan that shows how it will be able to effectively absorb Ukraine as a member.

- **Institutional reform:** The EU should internally prepare to welcome not just Ukraine but a wider number of countries. This preparation will include, in particular, reform of voting mechanisms and decision-making processes.
- **Agricultural policy:** The Common Agricultural Policy should be reformed to allow it to continue to function effectively with Ukraine as a new member. This is an essential area of EU modernisation in any case: the CAP might be used differently for new member states with exemptions, new provisions and ad hoc temporary measures.
- **Defence policy:** The EU should take a more long-term approach to the war

in Ukraine. This will involve not simply focusing on the right support for Ukraine in the conflict now, but on what part Ukraine's military capabilities could play, in the long term, within the EU's defence and security structures, and what changes this might mean for a common EU defence policy. This comes at a time when Europe's ability to project itself militarily needs a clearer vision: it is time for the EU to think about its own defence strategy and put in place a common EU-27 approach to defence and its defence industry.

- **NATO:** The alliance remains central in the EU's military strategy and it can act as a key support for Ukraine once the enlargement process is completed. A common EU defence is much needed, in close coordination with NATO.
- **Enlargement reset:** The importance and urgency around Ukraine's membership presents new opportunities to engage on enlargement and rethink the EU's strategy on the process. Some EU member states have voiced the idea of a phased process of alignment for Ukraine. Such processes might potentially have important implications for countries such as the UK, who could find ways to establish a deeper relationship with the EU.
- **The European Political Community:** The EPC could play a more prominent role in actively shaping the discussion around alternative participation outside the EU. The UK could lead these conversations, particularly with the upcoming EPC summit at Blenheim Palace in July.
- **Signalling intent:** There is understandable political focus within the EU on Ukraine's membership, given its size. This focus should not, however, come at the expense of requisite attention to other candidate countries. The EU should therefore align the right pathway for Ukraine with realistic and credible plans for other candidate countries, such as Albania, Moldova, Montenegro and North Macedonia.<sup>69</sup> The risk is that polarisation could develop, and that growing resentment in the Western Balkans could meet escalating Russian propaganda and destabilisation.

**Ukraine** will need to build confidence within Europe, and beyond, about its pathway to accession.

- **Domestic reform:** Ukraine should set out a clear strategy on its domestic-reform package to align with accession requirements.
- **Regional engagement:** The war has, correctly, made Ukraine's membership a political priority. But for Kyiv to successfully navigate the process and

build a strong network of regional allies it needs a deeper engagement strategy, including with the Western Balkans and the Caucasus.

- **EU member states:** Ukraine's accession comes, as we have set out, with challenges, but also significant benefits to the EU. Ukraine should ensure these potential benefits are well described to EU member states, as well as the EU institutionally. They are important factors not only in terms of the merits of Ukraine's membership but also in terms of how best to shape the EU's future around the benefits its accession will bring.

Russia's invasion of Ukraine served as a catalyst for the European Union to come together and discuss how to protect its members in the face of new challenges and help Ukraine stop Russia's aggression. Ukraine's membership offers the potential to realise these commitments and is an opportunity not to be missed.

Lead image: Getty

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