

THE ROLE OF THE EU IN SUPPORTING UKRAINE'S ECONOMY DURING THE WAR: PROSPECTS FOR RELATIONSHIP DEVELOPMENT

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Annotation. The article focuses on the issues of the Russian war against Ukraine, which has caused significant damage to the Ukrainian economy. In this difficult situation, the EU plays a key role in supporting Ukraine by providing financial, economic, and humanitarian assistance. The study of the EU's role in this area and the determination of prospects for the development of relations between Ukraine and the EU in the context of post-war reconstruction are extremely important.

The article explores and analyzes the role of the EU in supporting the Ukrainian economy during the war, as well as identifies the prospects for the development of relations between Ukraine and the EU in the context of post-war reconstruction.

The paper argues for a comprehensive analysis of the EU's role in supporting the Ukrainian economy during the war, identifying promising areas for the development of relations between Ukraine and the EU in the context of post-war reconstruction, and developing practical recommendations for strengthening cooperation between Ukraine and the EU.

The article substantiates and evaluates the role of the EU in supporting the Ukrainian economy during the war. It identifies promising areas for the development of relations between Ukraine and the EU. It develops practical recommendations for strengthening cooperation between Ukraine and the EU in the context of post-war reconstruction.

The article argues that Ukraine's imports from the EU may increase after joining the EU, as Ukrainian consumers will gain access to a wider range of goods at competitive prices. Accordingly, there will be changes in the structure of trade. Exports of agricultural products from Ukraine may decrease, while exports of industrial goods may increase.

The article emphasizes that Ukraine needs to make a lot of efforts to prepare for EU membership. However, EU membership can bring Ukraine many benefits, including: economic growth; improving the standard of living; strengthening democracy.

Key words: EU, Ukraine, war, economy, assistance, sanctions, energy security, membership, post-war reconstruction, cooperation.

1. Relevance of the research topic.

The Russian invasion, among other factors, has highlighted the importance of Ukraine's economic recovery. This matter is particularly pertinent considering the extensive scale of destruction. On one hand, Russia's aggressive actions may result in economic setbacks and disturbances not only in Ukraine but also across the broader European region. On the other hand, international assistance can aid Ukraine in fortifying its position and guaranteeing the continuity of economic growth and global security.

Hence, the efficient use of international trade and cooperation mechanisms can serve as a pivotal factor in revitalizing Ukraine's economy and bolstering its standing in the global arena.

In the context of economic ties between Ukraine and the European Union (EU), it is crucial to examine not only political and geopolitical dimensions but also the economic prospects and opportunities for both parties. The signing of the Association Agreement between Ukraine and the EU in 2014 has unlocked extensive avenues for advancing trade, economic, and investment relations.

The measures outlined in the Association Agreement are geared towards aligning the Ukrainian economy with EU standards and norms, thereby positively influencing the competitiveness of Ukrainian goods and services in the European market. This encompasses harmonizing legislation, enhancing business conditions, safeguarding intellectual property, and fostering innovative development.

Furthermore, following the implementation of the Association Agreement, several trade agreements and free trade zones have been established between Ukraine and various EU member states, fostering the expansion and consolidation of trade relations. These agreements facilitate increased trade volumes and offer favorable terms for Ukrainian goods to access EU markets.

Now that Ukraine is facing decisive steps towards full EU membership, these issues are particularly relevant.

The support and assistance from the EU foster favorable conditions for Ukraine's economic recovery following the military conflict and are factored into plans for further development. Nevertheless, to fully capitalize on the potential of cooperation between Ukraine and the EU, ongoing reforms, bolstering of the institutional framework, and ensuring economic environment stability are imperative.

2. The aim and objectives of the research.

The *aim* of the study is to analyze the role of the EU in supporting Ukraine's economy during the war and to determine the prospects for the development of relations between Ukraine and the EU in the context of post-war reconstruction. To achieve this goal, the following *research tasks* are outlined: to analyze the scale and dynamics of financial, economic and humanitarian assistance provided to Ukraine by the EU; to study the role of the EU in diversifying Ukraine's energy sources and ensuring its energy security; to determine the prospects of Ukraine's membership in the EU and its impact on the development of the Ukrainian economy; to develop recommendations for the development of relations between Ukraine and the EU in the context of post-war reconstruction.

3. Status of scientific development.

The article is based on the analytical materials of the European Parliament, the European Commission, the European Council, as well as the analysis of scientific works by foreign and domestic researchers, in particular, A. Zadoy, V. Fomenko, Z. Darvas, M. Dabrowski, H. Grabbe, L. Moffat, A. Sapir, G. Zachmann, etc.

4. Presentation of the main material.

Since the collapse of the Soviet Union in 1991, Ukraine has aimed to pursue its own path, which includes forging closer ties with Europe. This pursuit is motivated by both economic and cultural considerations. Ukraine's national outlook aligns more closely with that of EU countries rather than with the RF and its satellites, geographically and ideologically. Notably, Ukrainian researchers A. Zadoy and V. Fomenko conducted a study on cultural similarities and differences as factors influencing economic cooperation between Ukraine and the EU countries. Their findings suggest that cultural disparities between Ukraine and the European Union are not insurmountable. In fact, Ukrainian indicators often exhibit greater similarity to European norms than those of some long-standing EU member states. Consequently, these cultural disparities should not impede Ukraine's progress toward EU membership [1, p. 12].

Ukraine's relationship with Russia deteriorated significantly due to Russia's persistent efforts to maintain influence over our country. In a flagrant violation of international law, Russia annexed Crimea in 2014, drawing strong condemnation from the EU. Tensions escalated further in the lead-up to Russia's full-scale



invasion in February 2022, prompting Members of the European Parliament to voice increasing concerns about the military threat posed to Ukraine and to advocate for a unified EU response. On February 24, 2022, russia launched a large-scale attack on Ukraine, prompting the EU to implement a series of sanctions against russia and to introduce initiatives aimed at supporting Ukraine.

Russia's illegal and unprovoked invasion of Ukraine is not only an attack on the country's territorial integrity, but also a serious threat to the security and stability of the whole of Europe. It is also an attack on the fundamental values that the EU supports, such as freedom and democracy.

In 2014, the EU-Ukraine Association Agreement was adopted. It signified a landmark step in establishing political association and economic integration between the EU and Ukraine. This agreement facilitated mutual free market access between the two entities, fostering closer ties and cooperation.

Ukraine submitted its application for EU membership in February 2022. The Parliament endorsed this application and urged EU countries to confer candidate status, which was granted in June 2022. Subsequently, accession negotiations were initiated, officially commencing in December 2023 [2].

To join the EU, Ukraine, like other potential members, must possess stable institutions that ensure democracy and the rule of law, a functioning market economy, and the capacity to undertake and fulfill the responsibilities of EU membership.

In April 2017, the European Parliament endorsed an agreement enabling Ukrainian citizens to be exempt from short-term EU visas. Ukrainians possessing a biometric passport are permitted to enter the EU for up to 90 days within a 180-day period, for purposes such as tourism, visiting relatives or friends, or conducting business, with the exception of employment [3].

The EU has implemented numerous initiatives aimed at bolstering Ukraine's economy, facilitating its green transition, and assisting in the implementation of reforms. In response to russia's full-scale invasion, the EU has extended support to Ukraine by denouncing russian aggression, imposing sanctions on responsible parties, and offering financial and material aid.

In 2022, the Parliament sanctioned several loans to Ukraine and advocated for measures to assist nations hosting Ukrainian refugees. In October 2022, MEPs advocated for a substantial escalation in military aid to Ukraine. Furthermore, in 2023, the Parliament urged NATO to extend an invitation to Ukraine to join the alliance, accelerate proposals to ramp up ammunition production, advocate for the establishment of a dedicated tribunal to address Russian transgressions, and endorse additional measures to bolster support for the country.

In 2023, the European Union reached a momentous milestone by initiating negotiations on Ukraine's accession to the EU. Alongside this significant decision, three sets of sanctions against russia were implemented, and a tentative decision was made to allocate 50 billion euros over the next four years to support Ukraine's economy and infrastructure. The collective assistance provided by EU member states and the European Union to Ukraine since the onset of the rf's full-scale invasion amounts to approximately 85 billion euros. As a result, Ukraine has secured access to the European market, and approximately 4 million Ukrainian citizens have sought temporary asylum in the EU [4].

In February 2024, MEPs reached an agreement with EU countries to revise the EU's long-term budget to provide a stable financial solution for Ukraine. The EU will provide 50 billion euros in loans and grants to Ukraine by the end of 2027. Additionally, to address the needs of the millions of Ukrainians fleeing the country, the EU has invoked the Temporary Protection Directive for the first time, granting them immediate temporary refuge within the EU. The Parliament has also endorsed proposals aimed at assisting nations accommodating Ukrainian refugees [5].

Given the complex geopolitical landscape in the region, Ukraine's economic resurgence has garnered attention not only domestically but also from the international community. Strengthening collaboration with the European Union and other international allies presents new opportunities for fostering the growth of the Ukrainian economy.

Specifically, Ukraine's accession to the EU holds the potential to enhance the nation's investment prospects, facilitate entry into new markets and technologies, and spur industrial modernization while

bolstering the competitiveness of Ukrainian businesses. However, this process requires Ukraine to tackle a range of internal issues, such as corruption, an unstable legal system, and ineffective governance.

Reforms in these areas can facilitate the attraction of new investors, foster a conducive business environment, and enhance the competitiveness of the Ukrainian economy. Nonetheless, achieving these objectives will necessitate substantial effort and time, along with support from international partners.

In general, we can state that the EU plays a key role in supporting Ukraine's economy during the war. Below are some of its most important steps:

1. *Financial assistance*: The EU has allocated more than €49 billion in grants, loans, and macro-financial aid to Ukraine. This aid is utilized to bolster Ukraine's budget, fund humanitarian initiatives, and contribute to the country's reconstruction efforts.

2. *Trade preferences*: The EU granted Ukraine temporary duty-free access to the EU single market. This allows Ukrainian exporters to export their products to the EU duty-free, which helps to support the Ukrainian economy.

3. *Sanctions against russia*: The EU has implemented stringent measures against russia with the aim of diminishing its revenues and compelling an end to the conflict. Additionally, these sanctions serve to safeguard the Ukrainian economy from russian aggression.

4. *Energy security*: The EU is helping Ukraine diversify its energy sources to reduce its dependence on russia. This includes helping to supply Ukraine with liquefied natural gas (LNG) and other energy sources.

5. *Accession to the EU*: The EU has granted Ukraine candidate status for EU membership. This gives Ukraine a clear prospect of EU membership, which can help stimulate investment and economic growth.

The EU extends aid to Ukraine in various domains, including:

humanitarian aid: The EU furnishes humanitarian aid to individuals impacted by the conflict in Ukraine.

reforms: The EU assists Ukraine in executing reforms aimed at fortifying its economy and democracy.

The European Union seeks to substantially enhance its defense industry by 2030, diminish its reliance on arms suppliers from third countries, and foster collaboration with Ukraine [6].

The prerequisites for the adoption of the strategy included: the escalating military threat posed by russia; the high reliance of EU member states on weapons sourced from third countries (accounting for 78% of purchases in 2022); the limited consolidation of defense markets among EU member states; and the increasing dependency of European defense firms on exports.

The objectives of the strategy include achieving 40% of joint defense procurement by EU member states by 2030, increasing arms trade between member states to 35% of the total EU arms market by 2030, and conducting 50% of defense procurement within the EU by 2030 (60% by 2035).

The strategy envisages the following investment cooperation directions:

- Direct investment in the EU defense industry totaling USD 1.5 billion during the period from 2025 to 2027 (under the EDIP program).
- Deepening cooperation with the Ukrainian defense industry:
 - Joint arms procurement.
 - Financial support for the Ukrainian defense industry from EDIP (potential use of frozen russian assets).
 - Ukraine-EU Defense Industry Forum (2024).

The EU Defense Industry Development Strategy 2030 strives to enhance the EU's autonomy in defense affairs and to foster collaboration with Ukraine. Anticipated outcomes encompass bolstering the EU's defense capabilities, diminishing reliance on external arms providers, catalyzing the growth of the European defense industry, and fortifying cooperation with Ukraine in the defense sector.



Several Western researchers have underscored significant advantages for the EU stemming from Ukraine's accession [7]:

1. Economic implications:

- Expansion of the EU single market: researchers anticipate the enlargement of the EU single market following Ukraine's accession, which is projected to catalyze trade and spur economic growth.
- Stimulation of domestic production and employment: increased trade with Ukraine will lead to increased production and job creation in EU member states.
- Foreign direct investment: foreign direct investment in Ukraine is expected to grow, bringing additional corporate profits to EU member states.
- Immigration: The potential accession of Ukraine to the EU could result in heightened immigration, offering a potential solution to labor shortages in certain EU countries.

2. Energy security:

- Enhancing energy security: Ukraine possesses significant potential as an energy producer, encompassing natural gas, renewable energy, and nuclear power. Ukraine's integration into the EU could facilitate the diversification of its energy resources and mitigate reliance on exports from Russia.
- Reduction of energy costs: Ukraine can export low-carbon electricity to the EU, which could lead to lower energy prices.
- Investments in the energy sector: Ukraine will require significant investments in modernizing its energy infrastructure, which could stimulate the development of the European energy sector.

3. Agriculture:

- Increase in agricultural land: Ukraine has a large area of agricultural land, which could lead to an increase in agricultural production in the EU.
- The need for reforms: Ukraine's agricultural sector needs reforms to bring it in line with EU standards.

Ukraine's contribution to the EU budget would amount to €14 billion if the country pays the same percentage of its GDP as the total amount of the MFF in the EU GDP. Overall, under our baseline scenario, the net cost to current EU member states of Ukraine's membership would be €136 billion in current prices between 2021 and 2027, which is 0.13 percent of EU GDP over the same period.

5. Conclusions.

Ukraine's accession to the EU could potentially yield significant positive impacts on the EU's economy and energy security. However, to actualize this potential, Ukraine will need to implement a series of reforms.

The prospect of EU membership has provided a significant momentum to Ukraine's challenging economic and institutional transition since the post-Soviet era. It has the potential to elevate the country from one characterized by one of the most problematic governance systems among former socialist nations to that of an efficient market economy. There exists ample opportunity for the expansion of trade and investment relations with the EU, which would be mutually beneficial. Furthermore, integrating Ukrainian workers into EU labor markets could alleviate the acute labor shortages experienced by the EU. Accession also holds the promise of enhancing the EU's energy security and potentially lowering energy costs. Moreover, it could contribute to stabilizing the EU's eastern neighborhood and augmenting the EU's military capabilities and overall security.

The primary challenge for the EU lies in internal decision-making processes, particularly in areas requiring unanimity. The most significant risk would entail a decline in the rule of law, thereby impacting the application of EU laws and standards post-accession. However, this risk can be mitigated by incorporating post-accession compliance mechanisms into new accession agreements. These mechanisms could include robust measures for suspending voting rights and EU funds in instances of non-compliance with

fundamental EU values and the rule of law. Other frequently cited challenges, such as the functioning of EU institutions and implications for the EU budget, could be addressed through transitional periods and reforms within the EU during accession negotiations.

There is evidently strong momentum from both sides to advance the accession process. Despite the challenging backdrop of war, the Ukrainian government is diligently striving to meet the criteria for initiating accession negotiations. Moreover, there is significant domestic support within Ukraine for joining the EU, with 78 percent of Ukrainians in favor and only 5 percent opposed. In parallel, a majority of EU citizens – 66 percent – voiced agreement in August 2023 regarding the EU's ongoing support for Ukraine's European integration, with only 26 percent expressing disagreement [7].

This momentum should be reinforced. The European Council's decision in December 2023 to commence accession talks, albeit with the adoption of a negotiation framework and the initiation of actual negotiations contingent upon the completion of further reforms, was equitable. The symbolic significance of this decision will aid endeavors to enhance governance in Ukraine. Moreover, the history of EU enlargement underscores that the most compelling impetus for arduous reforms is a credible and predictable accession process based on merit.

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