



Wiener Institut für
Internationale
Wirtschaftsvergleiche

| BertelsmannStiftung

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Ukraine's EU accession process: Outlier or not?

Miriam Kosmehl, Bertelsmann Stiftung (BSt)

Richard Grieveson, Vienna Institute for International Economic
Studies (wiiw)

Five reports (so far) related to Ukraine unique challenges of survival, recovery, rebuilding and EU accession:



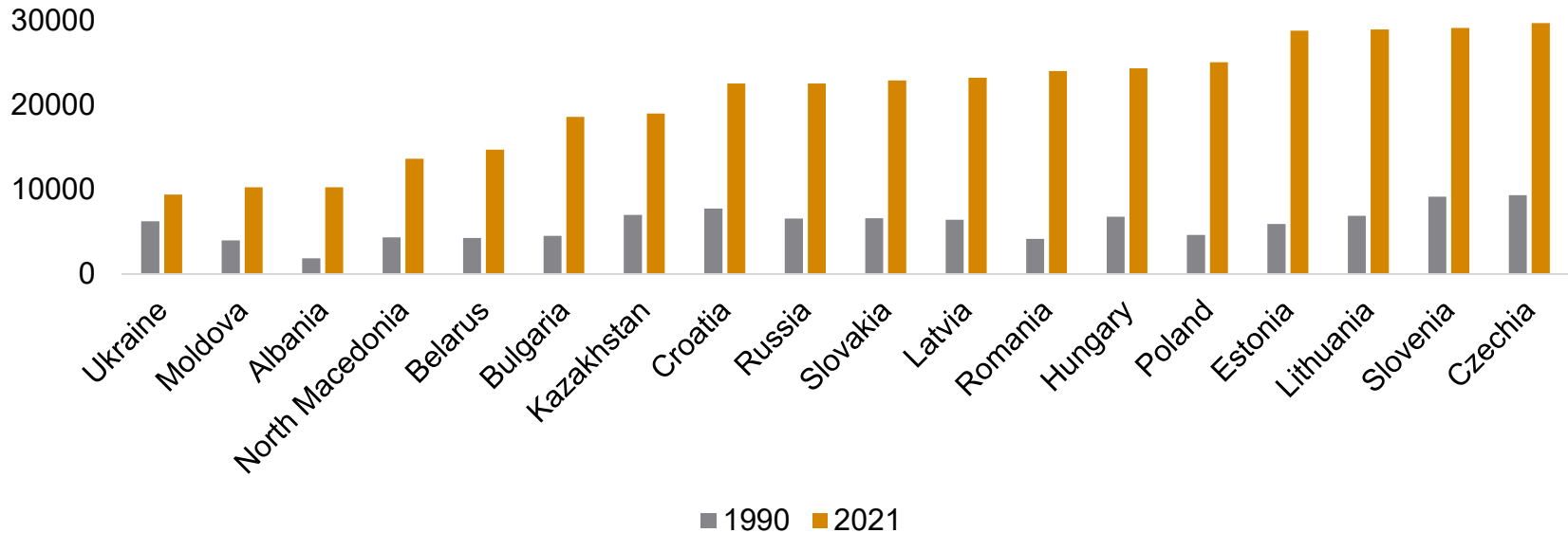
Aims of our work:

1. Analyse in detail some of the significant questions – Ukraine’s potential and weaknesses in light of reconstruction and making Ukraine fit for the EU single market: demography, infrastructure, competitive industries, regional policy, financing.
2. Address the strategic dilemma and draw attention to synergies – Ukraine’s road to recovery and EU integration faces the dichotomy of immediate needs versus long-term sustainable transformation. Essential infrastructure repairs must be balanced with “building back better” and modernising Ukraine’s economy so that, in line with deeper EU integration, disparities are reduced and Ukraine is prepared for the EU single market.
3. Comparative EU-CEE perspective – using what we know of the past to see where Ukraine stands, what are going to be the main challenges for supporting Ukraine’s deeper integration into EU value chains at a time of shifting investment priorities. A strategically-executed EU accession strategy could serve as a critical catalyst for Ukraine’s economy, not only enabling Ukraine to emulate the convergence success of EU-CEE, but also sustainable, green and digital advancement.

Methodology: Using the economic indicators in the Commission enlargement reports.

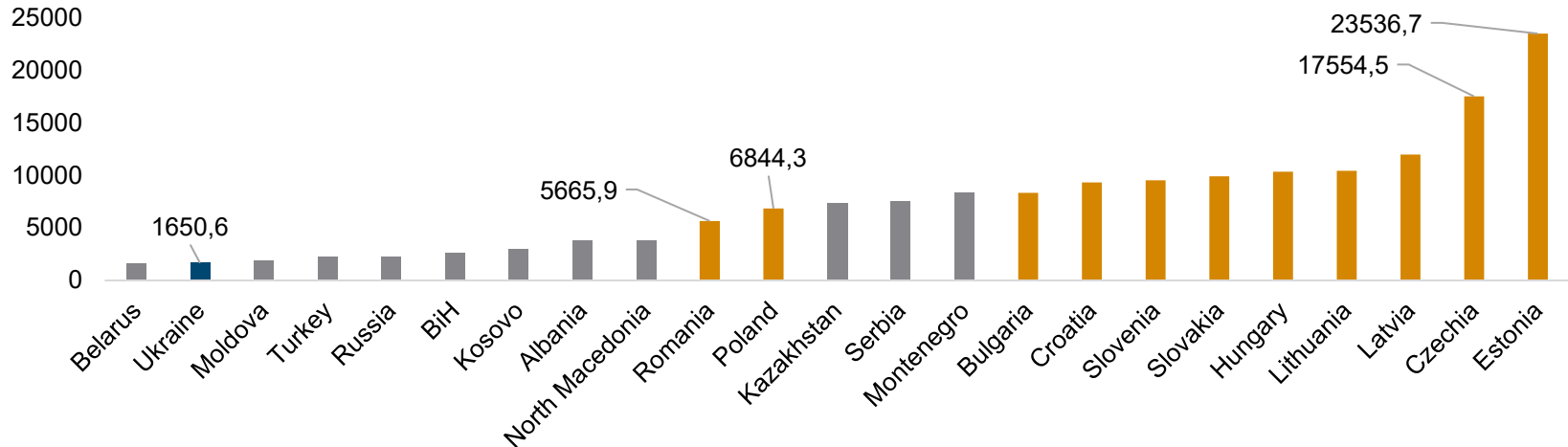
Economic convergence: Historical performance famously weak

GDP per capita, EUR, PPP



High real interest rates and weak FDI show existing financing challenges pre-war

Inward FDI stock, EUR per capita, 2022

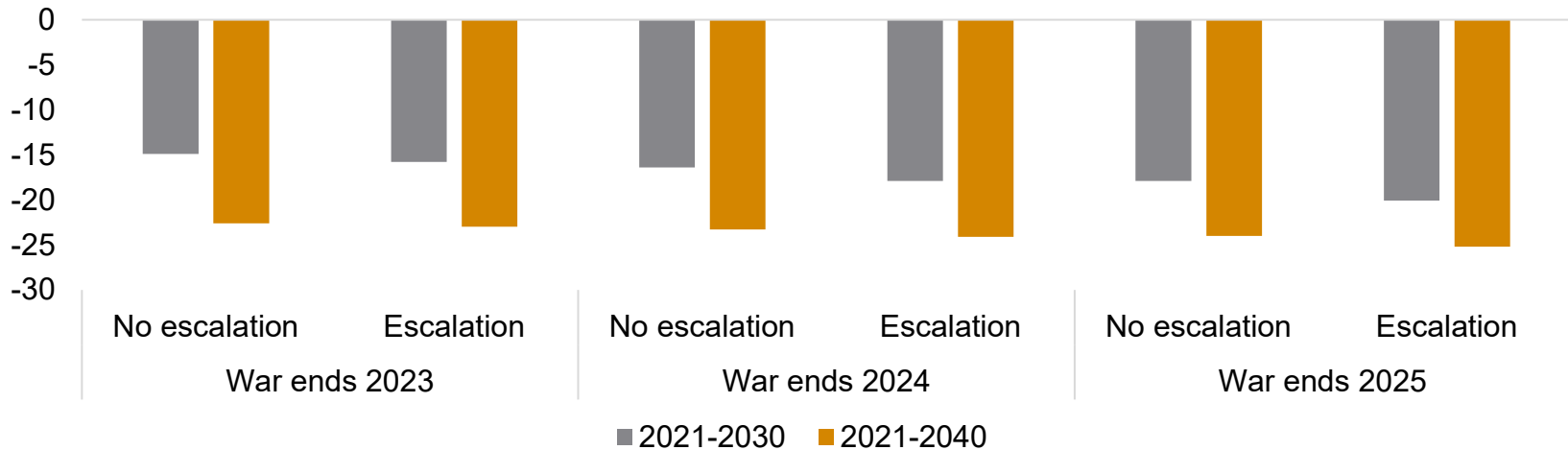


Note: Orange = EU member state, blue = Ukraine, grey = non-EU-member state (continued throughout rest of slides).

Sources: Eurostat, national sources, wiiw.

Negative demographic shock is the single biggest challenge to reconstruction and catch-up

Projected % change in Ukraine's working-age population

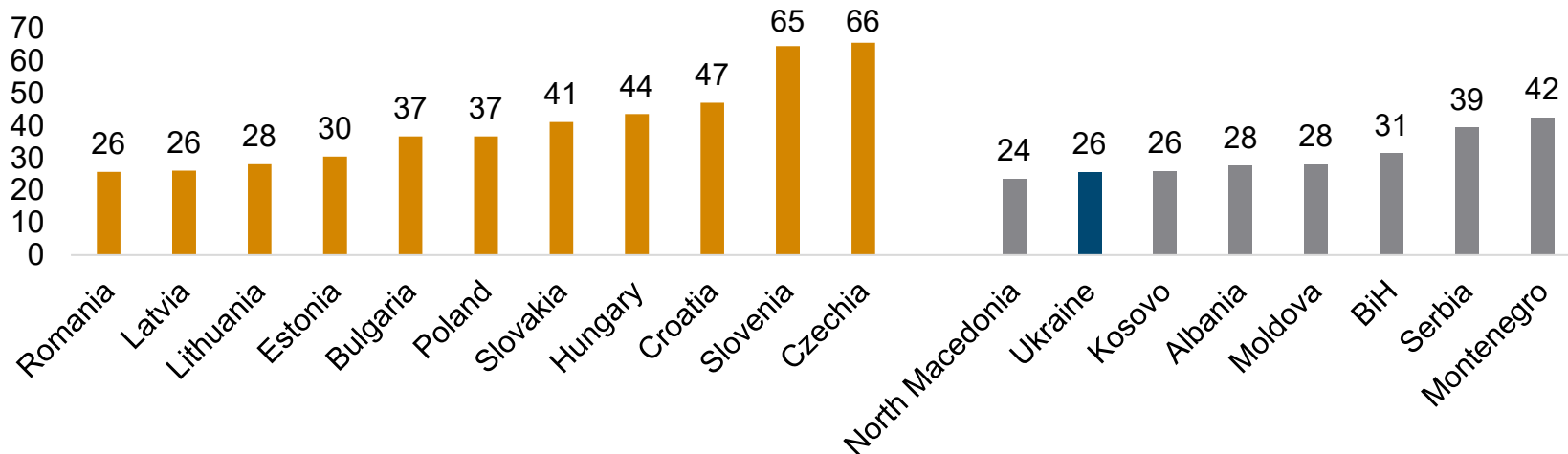


Note: Population in each year is estimated as an average of 10,000 MC simulation rounds. Source:

<https://wiiw.ac.at/the-demographic-challenges-to-ukraine-s-economic-reconstruction-p-6620.html>

Ukraine has a low level of economic development, but comparable to Romania + Baltics when they started accession process

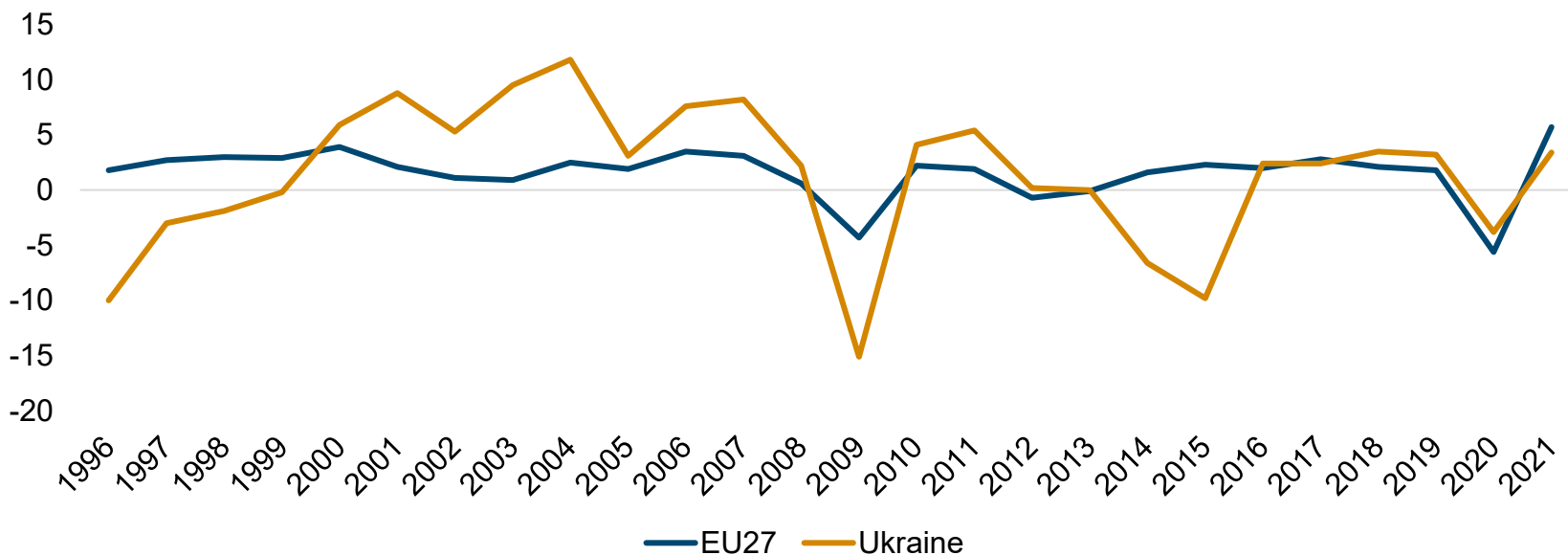
GDP per capita, EUR, PPP, % of EU in year of membership application



Note: For EU-CEE countries, the comparison is with the then-EU-15. For non-member states, the comparison is with the EU-27. Sources: Eurostat, national sources, wiiw.

Economic convergence: Ukraine can catch up under right conditions

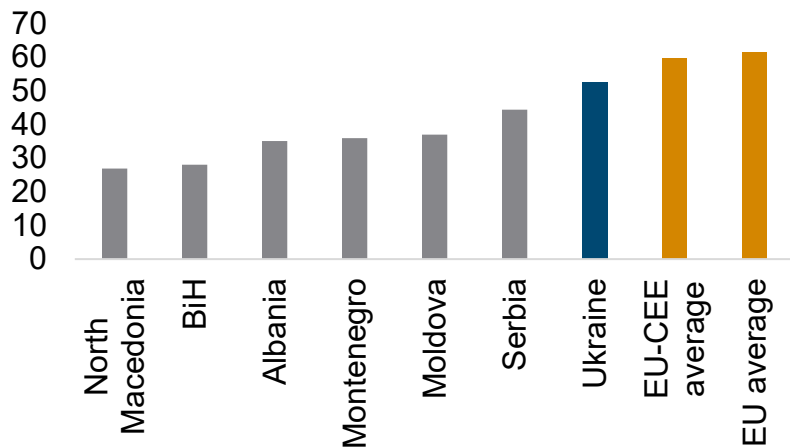
Real GDP growth, % per year



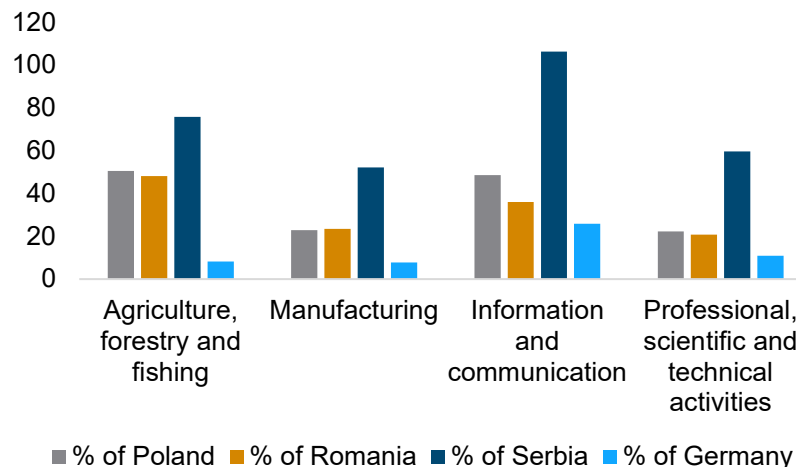
Sources: Eurostat, national sources, wiiw.

In education and digitalisation, Ukraine has strengths that will help drive productivity growth after the war

PISA scales in reading, maths and science, calculated by the WIPO, 2022

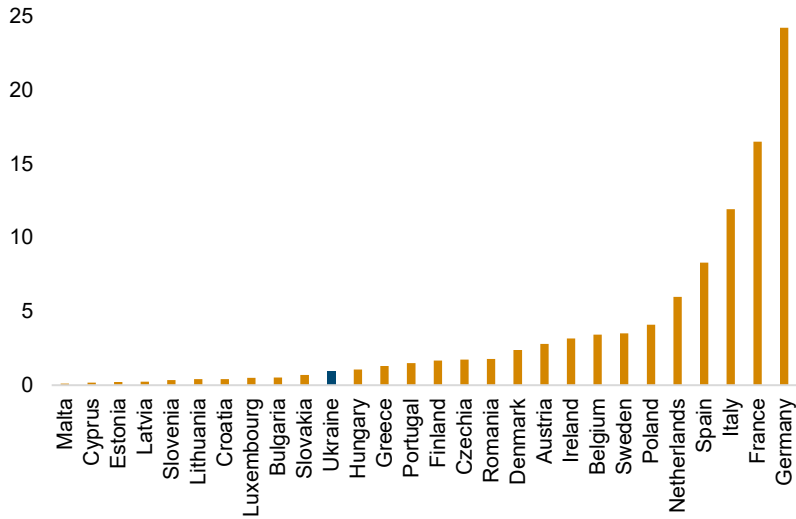


Ukraine's labour productivity in 2022, % of selected countries

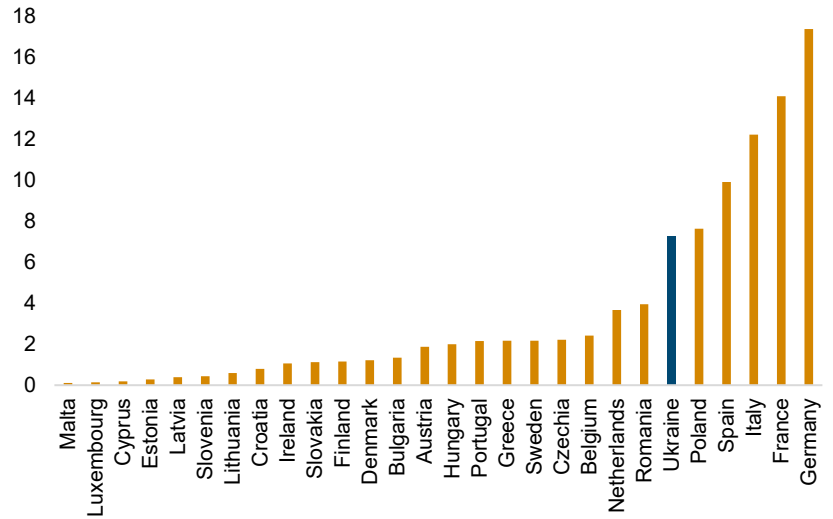


If Ukraine joined the EU today, it would increase EU GDP by 1% and the EU's population by 9% (= Poland 2004)

Nominal GDP, % of EU-27 + Ukraine total



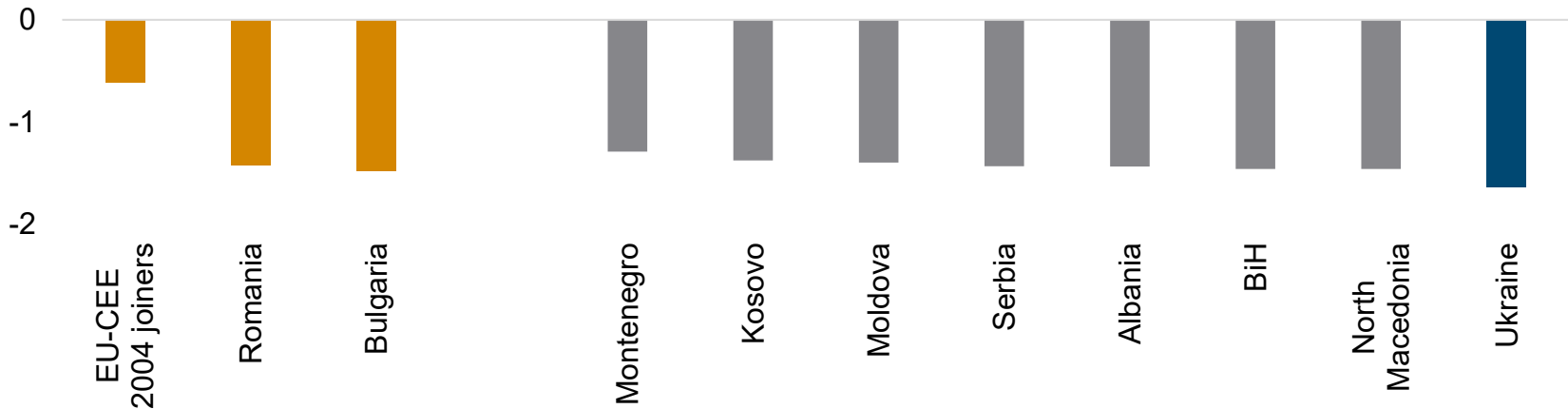
Population, % of EU-27 + Ukraine total



Sources: Eurostat, national sources, wiiv.

Institutional challenges are significant, but gap is roughly in line with peers. Strong civil society + reform progress give reason for hope

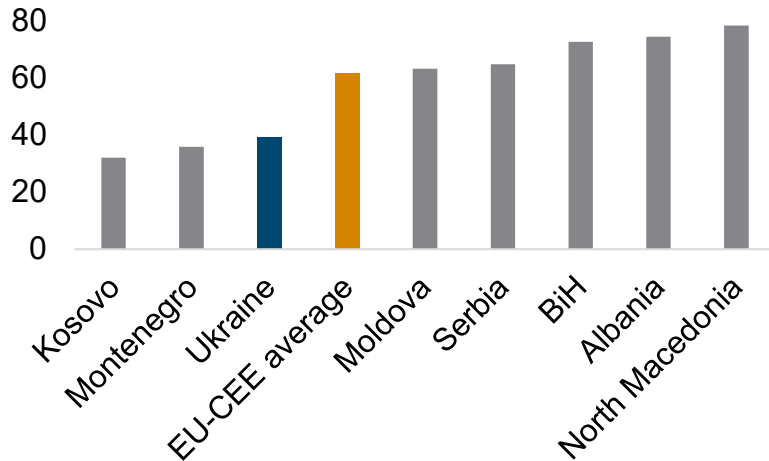
WGI indicators relative to average of France, Germany and Italy at time of EU membership application



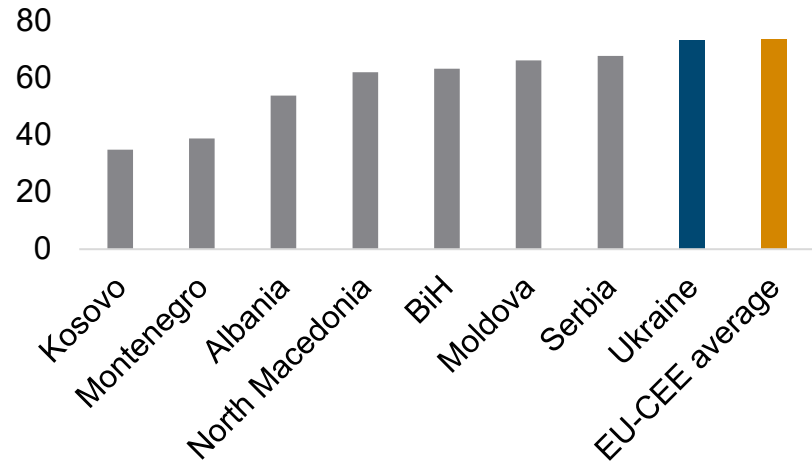
Note: WGI indicators are an average of the scores for control of corruption, government effectiveness, regulatory quality and rule of law. Source: World Bank.

Existing EU integration in trade is relatively weak, although most of Ukraine's (low) FDI comes from the EU

Exports to the EU, % of total, five years before accession or 2018-22



Inward FDI stock from the EU, % of total, five years before accession or 2018-22



Conclusion: Ukraine can follow the EU-CEE convergence path

- Ukraine is mostly a „typical“ CESEE country, for better or worse. With security guarantees and an EU accession framework, Ukraine can follow the EU-CEE convergence path.
- However, in a few areas Ukraine faces major challenges:
 1. Demographics
 2. FDI attraction problem linked to institutions
 3. Limited EU integration so far
- But strength of civil society, accelerated integration in trade, labour markets + energy due to war, and reconstruction, can help solve 2+3.
- Reconstruction should be fully dovetailed with EU accession objective to „build back better“ in a way that addresses weaknesses and prepares Ukraine for demands of EU membership.

Policy recommendations for the EU - help Ukraine to...

1. Minimise the impact of the demographic disaster
2. Improve FDI attraction policies and upgrade institutions
3. Develop an industrial policy
4. Export more to the EU by further liberalising trade
5. Develop a regional policy
6. Upgrade its infrastructure

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Reading list

- Tetiana Bogdan and Branimir Jovanović (2023): Public Expenditure and Tax Policy for the Post-War Reconstruction of Ukraine, <https://wiiw.ac.at/public-expenditure-and-tax-policy-for-the-post-war-reconstruction-of-ukraine-p-6573.html>
- Maryna Tverdostup (2023): The Demographic Challenges to Ukraine's Economic Reconstruction, <https://wiiw.ac.at/the-demographic-challenges-to-ukraine-s-economic-reconstruction-p-6620.html>
- Iryna Kosse (2023): Rebuilding Ukraine's Infrastructure after the War, <https://wiiw.ac.at/rebuilding-ukraine-s-infrastructure-after-the-war-p-6621.html>
- Richard Grieveson et al. (2023): Outlier or not? The Ukrainian economy's preparedness for EU accession, *forthcoming*.
- Artem Kochnev et al. (2023): Ukraine's economic reconstruction: Addressing regional inequalities, consolidating regional policy and reaping the benefits of integration, *forthcoming*.