



Ukraine's EU Accession: Unprepared, Unfit and Unfunded

As a nation at war and in an extremely weakened financial and political situation, with enormous problems of governance and compatibility with European norms, Ukraine is wholly unsuited for the beginning of accession negotiations. According to the Hungarian Institute of International Affairs, in the absence of a clear picture of Ukraine's future and a concrete plan from the EU, membership talks are grossly premature.

The European Commission proposed to open accession negotiations with Ukraine and Moldova at the same time as it published its annual country reports in early November. At this week's meeting of EU leaders, however, European Council president Charles Michel is insisting that the subject of Ukraine's pathway to membership in the EU be top of the agenda—with a date of 2030 being floated.

Hungary has agreed with the conclusions of the [European Commission's November 8 report](#), which paints a very bleak picture for Ukraine's future. In reviewing the report, HIIA found that even they were far too optimistic. In reality, Ukraine's progress has deteriorated even on the seven specific steps required by the Commission, while it has continued policies on national minorities that are far outside European norms. Its accession would bring war inside the European Union.

Ukraine's economic and political situation has deteriorated rapidly. It has become wholly reliant on foreign direct aid as well as foreign purchases of Ukrainian government debt. Soon, Ukraine is likely to be even more dependent on foreign investors. Should foreign support falter, Ukraine's economic situation will depart even further from the criteria for joining the European Union. Proceeding with accession talks would also discredit the European Union's expansion strategy.

Although the Russian invasion of Ukraine prompted European leaders to seek to hasten the process, the pathway for Ukraine's membership in the European Union is farther off than it has ever been. In what follows, the Hungarian Institute of International Affairs outlines the factors that could pose a concrete and substantive problem for the Hungarian government—and, indeed, for the European Union as a whole.

1. On the seven steps required by the Commission, Ukraine has fallen behind—even in the four areas where the Commission claims that some progress was made.

Last year, as a retroactive condition for Ukraine's EU candidacy, the Commission asked Ukraine to take seven steps primarily focused around rule of law issues. These steps were to include new procedures for selection of judges and for vetting of High Council members, better anti-corruption investigations and anti-money laundering legislation, an anti-oligarch law, media law and better protection for national minorities (see point 2).

In several areas, the Commission has claimed successes—on judicial selection, High Council vetting, anti-money laundering laws and media freedom. Meanwhile, the Commission identified failures in anti-corruption and anti-oligarch efforts as well as protection of national minorities.

But the reality is that Ukraine's progress has faltered even in these areas of supposed success. Full implementation of the laws passed on the selection of judges and the depoliticization of High Court appointments has yet to be seen. The criteria used for selecting members of the High Council, as well as appointed judges, are not clear. And in present circumstances, political affiliation is likely a stronger driver than professional competency.

Regarding Ukraine's supposed progress against money laundering, landmark decisions have been notably absent, as have heavy punishments for those participating in these activities (e.g., the case of Oleksii Reznikov). Weakness in implementing these regulations stems from Ukraine's endemic corruption, not simply from wartime emergencies.

Under pretext of national security, the Ukrainian government has also centralized media broadcasting in the country and made it extremely difficult to access news outlets critical of the government. Legal guarantees for media freedom and freedom of speech have not been matched by shifts toward a balanced media environment.

Combined with Ukraine's failures on anti-corruption and anti-oligarch efforts, as well as on national minorities (three areas where the Commission identified failures), the picture is one of a country very far from any realistic beginning of accession negotiations. The Hungarian government rejects the Commission's unprecedented support for opening of negotiations prior to settling these important matters. Perceived European geopolitical interests cannot override formal requirements.

2. The situation for national minorities is unacceptable in Ukraine.

For the Hungarian government, appropriate provision of national minority rights is essential—a matter of national interest as well as human rights. The Commission is calling for the [Venice Commission recommendations](#) on state language, media and education to be implemented. Kyiv has expressed willingness to make significant steps by curbing Ukrainization, especially in the area of minority education. The Ukrainian government's draft law No. 10288, submitted to the Rada, would essentially restore the pre-2017 situation in the language of instruction in grades 5–10 of secondary schools (only Ukrainian language and literature and the history of Ukraine would be taught in Ukrainian).

On the most painful issue, the restoration of nationality schools, nothing has been addressed—only classes and groups for nationalities can continue to be organized, and only private higher education institutions have the right to determine the language of instruction in the amendment package, not public ones. Similarly, there has been minimal progress on the use of mother tongues: minority languages still cannot be used in official contacts, but at least in public use there has been some

relaxation of the dominance of Ukrainian (media, advertising, etc.) The amendments have obviously been timed to coincide with the EU Council meeting, and it is feared that once the pressure to comply has passed, the laws will revert to their original state.

3. Ukraine's accession poses and will continue to pose intractable geopolitical and military problems, as the EU cannot admit a nation at war without full sovereignty.

As a victim of Russian military aggression, Ukraine is an active belligerent. Since the Ukrainian government does not exercise civil and military control over its whole territory, it is questionable whether EU membership would legally extend to these areas. (Such questions arose in the case of Cyprus's admission, which differed as it was not a hot war and did not involve territory annexed by another state.) In the case of Ukraine, even in the event of a ceasefire there would likely remain Russian control over Ukrainian territories now considered by Russia to be part of it.

Since the Lisbon Treaty inserted a [mutual defense clause](#) into the Treaty on European Union, obliging member states to give assistance and support to any other member state subjected to an armed attack. This clause would make the inclusion of Ukraine highly problematic, given the presence of an armed conflict within its internationally recognized borders. Even after a ceasefire, such a conflict could flare up at any time. Hence Prime Minister Orbán [insisted to Charles Michel](#) that strategic discussions at the EU level would be necessary prior to any negotiations on Ukraine's EU membership.

4. Without indefinite foreign aid, Ukraine would enter a systemic economic crisis.

According to the European Commission's report, Ukraine's "current account turned into a surplus following Russia's invasion." Yet Ukraine has carried a large trade deficit since the outbreak of the war. The reality is that there has been an enormous surge of monetary payments being made to the country. These inflows are, in effect, foreign support that prevent the hryvnia from collapsing.



Figure 1. Data source: National Bank of Ukraine balance of payments, <https://bank.gov.ua/en/statistic/sector-external>.

Ukraine is running an enormous, unsustainable trade deficit, which is being "plugged" with massive amounts of foreign aid. In the absence of this support, Ukraine's trade deficit will be unsustainable and the Ukrainian hryvnia would collapse.

Between overseas aid and foreign debt purchases, Ukraine receives about \$5 billion in financing per month. Over time, Ukraine's dependency on foreign financing of its debt has increased. While rebuilding the postwar Ukrainian economy could bring further investment, it's clear that Ukraine's economy is dangerously dependent on foreign support, and that Ukraine's accession to the European Union would be the admission of an enormous financial liability.



Figure 2. Data source: National Bank of Ukraine balance of payments, <https://bank.gov.ua/en/statistic/sector-external>.

5. Without indefinite foreign aid stabilizing the Ukrainian currency, Ukraine would not be able to meet requirements for price stability.

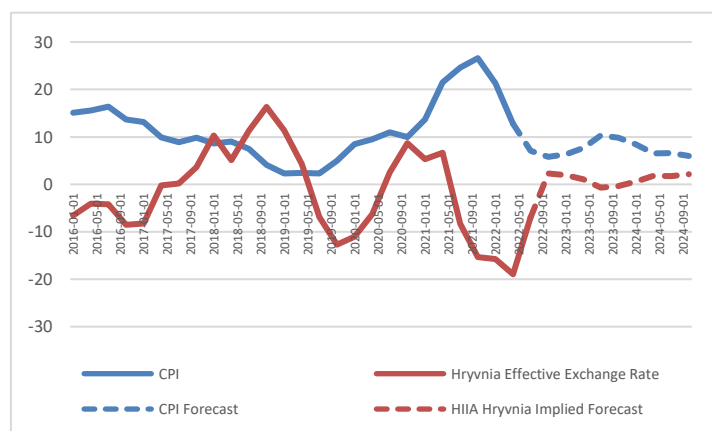


Figure 3. Data sources: CPI, National Bank of Ukraine inflation report, <https://bank.gov.ua/en/monetary/report>; effective exchange rate, National Bank of Ukraine, <https://bank.gov.ua/en/markets/currency-market>; implied forecast, HIIA estimate.

The Commission notes that “inflation declined strongly in 2023 after reaching a 6 year high in 2022.” It is true that Ukrainian inflation increased as the hryvnia fell in value, and that inflation has decreased with the stabilization of the currency. The National Bank of Ukraine (NBU)’s estimates of continued low inflation, dashed here in blue, assume that the hryvnia will continue its stable and strong position. But this depends on whether Ukraine can continue to secure enormous amounts of foreign aid. Without foreign aid, the

hryvnia will likely crash, the Ukrainian inflation rate rise, and Ukraine will be unable to meet the Commission’s demands for price stability.

6. Ukraine's demographic situation is unsustainable.

As the European Commission report notes, “the war has had a profound impact on the labour market and exacerbated pre-existing structural challenges”—not just due to the mobilization, but also due to the migration that has been triggered by the war. The report also notes that: “In addition, it has been estimated that around two thirds of refugees at working age have an advanced education.” This means a significant “brain drain” in the country that will further undermine the potential for the country to achieve economic growth in the long term, even if it eventually emerges out of a crisis period after foreign aid dries up.

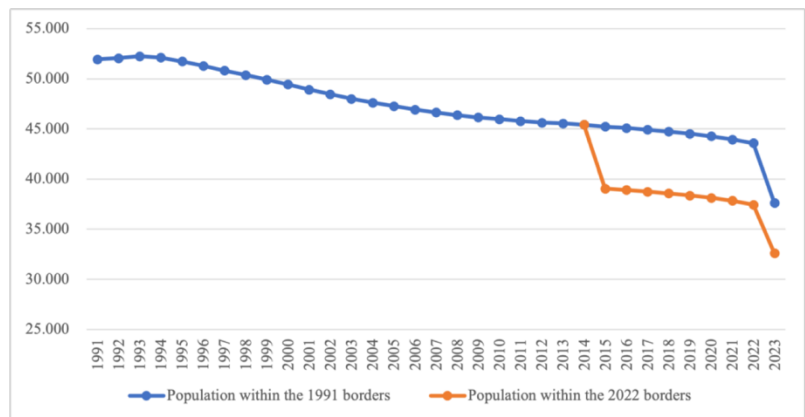


Figure 4. Wilson Center, <https://www.wilsoncenter.org/blog-post/ukraines-demography-second-year-full-fledged-war>.

7. Already dramatic increases in the EU budget do not leave room for additional expansion—particularly considering Ukraine's need for extensive support.

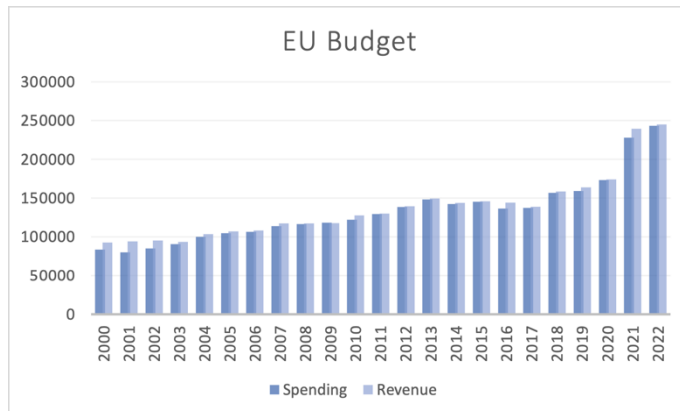


Figure 5. EU budget in €m. Data source: European Commission, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/spending-and-revenue_en.

After the pandemic of 2020, the European Union's budget has seen its largest changes in recent history. In 2021, European Union spending rose 31.2 percent while revenue rose 37.5 percent. Spending by the European Union was around €64.5 billion over budget in 2021 and €77.4 billion over budget in 2022. The Commission wants to add an additional €50 billion to the budget for Ukraine between 2024 and 2027, or €16.7bn per year.

According to the *Financial Times*, under current rules Ukraine would receive 186 billion euros over a seven-year budget cycle—rebalancing intra-EU financial outlays strongly toward Ukraine. Without a clear path for Ukraine out of dependency on external support, the European Union is simply bringing on massive difficulties in its own budgetary expenditures.

8. Though not required for EU membership, the Maastricht criteria (of a maximum 3 percent deficit to GDP) are still a helpful guide to a country's fiscal situation. Ukraine will be even further from the Maastricht criteria after the war.

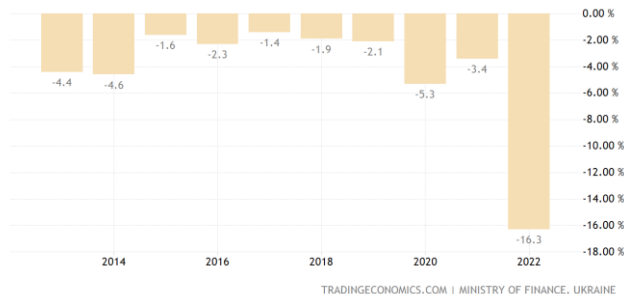


Figure 6. Ukrainian government deficit as a percent of GDP.
Source, Ministry of Finance of Ukraine, chart published at <https://tradingeconomics.com/ukraine/government-budget>.

Ukraine was having a hard time meeting the Maastricht criteria even prior to the war. Though not required for EU membership, the Maastricht criteria are often consulted when evaluating a country's fiscal situation. According to the Ukrainian government, total fiscal deficit in 2023 will be -20.6 percent of GDP. Even with wartime spending factored out, Ukraine will not come close to meeting convergence criteria without substantial fiscal consolidation. According to HIIA estimates, with peacetime

levels of spending from the defense and interior ministries, total fiscal deficit would still be around -6.9 percent—far outside the Maastricht criteria.

9. Ukraine's accession to the EU would completely transform the EU's internal structure. A Union with Ukraine would no longer be the old European Union.

The "fast-track" admission of Ukraine into the European Union would completely discredit the EU in the eyes of the Western Balkan and other candidate countries that are "properly" engaged in the accession process and meeting the conditions within the set framework. Ukraine's accession could only be accepted as part of a wider enlargement. The invocation of arguments about geopolitics and European identity have never been considered sufficient in relation to the Western Balkans. Although there has been talk of including the Western Balkan countries in a sudden political U-turn in order to avoid this very mistake, this in itself would devalue the criteria for EU membership.

Moreover, the EU is not institutionally prepared for this enlargement, as the debates on how a 27-plus member Union should work have not been conducted. Neither a multispeed European Union, nor a shift to majority decision-making, nor the marginalization of the role of nation-states is a consensus and acceptable position for the majority of the current member states. It is almost inconceivable that Ukraine's accession should not be accompanied by institutional and even decision-making reform: if Ukraine joins the European Union, it will be a completely different European Union.