

The Ukrainian Path to EU accession: An impact assessment

In the 1990s, Ukraine had expressed a clear desire to join the European Union (EU). However, during that period, Brussels underscored the necessity for domestic political reforms and tied any tangible steps towards EU membership to these reforms. The war against Ukraine has accelerated the accession negotiations again. Shortly after the beginning of the war, Ukraine officially applied to join the EU. In June 2022, Ukraine was granted official candidate status. At the EU summit in December 2023, member states decided to initiate accession negotiations with Ukraine, as well as with Moldova.

There are many studies analyzing the effects of Ukraine's accession to the EU (e.g. Nekhay et al. 2021 or Philippidis et al. 2018). At the time these studies were written they could not fully capture the implementation of the EU-Ukraine-Association Agreement in 2017 because historical data were not fully available. Additionally, most studies were conducted before the war. However, on the occasion of the Russian war and aggression, the EU granted duty-free and quota-free market access to Ukraine from June 4, 2022, to June 5, 2023. This preferential market access is now extended to June 5, 2024. The rapid opening of the EU-market was followed by an increase in imports from Ukraine to the EU-neighboring states, which had logistical problems, so that the products were not distributed further in the EU and led to regional price reductions for domestic agricultural products. Thus, Poland, Hungary, Romania, Bulgaria, and Slovakia closed their borders for some agricultural product imports from Ukraine for a short period of time. This has shown that a common market can certainly lead to problems in the short run.

In our analysis, we first look at the current data and show how trade between the EU and Ukraine has changed in recent months. Here we analyze the short-term effects that opening up the market had on agricultural trade. We then calculate two “future” scenarios: One free trade scenario and a customs union with common external tariff that includes the adoption of all EU trade agreements. Our research questions address the following: What impact will Ukraine's expanded market access have on the EU, the Ukraine itself, and other countries? How can an impact assessment of the effects of a common market be made at all in a world of great uncertainty?

We utilize an approach that combines insights from the MAGNET (Modular Applied General Equilibrium Network Tool) and Agmemod (Partial Equilibrium Agricultural Model) models. The analysis is framed within Ukraine's longstanding aspirations for EU membership, coupled with the challenges posed by the ongoing war and recent developments in its relationship with the EU.

Therefore, we incorporate the most up-to-date tariff data on Ukraine's protection structure. By using an updated tariff database, the implementation of the association agreement between the EU and Ukraine is included by drawing on data regarding the utilization of tariff rate quotas over recent years. By integrating MAGNET results with Agmemod outcomes, we receive a better understanding of the economic impacts. While MAGNET provides information on changes in trade flows and production. Agmemod gives us more information at the detailed level of agricultural products and regional impacts.

Recognizing the substantial uncertainty surrounding the agreement in the present time, our approach generates a “bandwidth” that outlines potential changes in production and trade between the EU and Ukraine. Here, a range of baselines under various assumptions about population development, infrastructure destruction, and land availability are built. The assumptions are based e.g. on studies by Libanova (2023) and information from the KSE (2023).

The paper is organized as follows. The first section provides background information on the development of trade in the last months and the current political framework of the EU–Ukraine trade relationship. In the second section, we provide a short literature review. Next, the scenarios and models are presented. Furthermore, the specific adaptations of the database and baselines for the purpose of this study are described. The fourth section summarizes the simulation results and the last section concludes with a discussion.

Literature

- KSE (2023): Ukraine food balances in times of uncertainty Scenario analysis of Black Sea grain initiative abandonment and infrastructure destruction on food balances in Ukraine
<https://zimbra.thuenen.de/service/home/~/?auth=co&loc=de&id=187328&part=2>
- Libanova (2023) Ukraine's Demography in the Second Year of the Full-Fledged War
<https://www.wilsoncenter.org/blog-post/ukraines-demography-second-year-full-fledged-war>
- Nekhay, Olexandr; Delgado, M. Carmen; Cardenete, M. Alejandro (2021): Does Abolishing Tariffs in Bilateral Trade Matter for a Country's Economic Growth? The Impact of the EU–Ukraine DCFTA. In: *Europe-Asia Studies* 73 (7), S. 1257–1278. DOI: 10.1080/09668136.2020.1807468.
- Philippidis, George; Sanjuán, Ana; Tabeau, Andrzej; van Berkum, Siemen; Verma, Monika (2018): A foresight study of European East-West agrifood trade options. In: *German journal of agricultural economics* 67 (3), S. 160–175. Online verfügbar unter <https://www.gjae-online.de/articles/a-foresight-study-of-european-east-west-agrifood-trade-options/>.