

FOUR KEY TAKEAWAYS FROM THE 2023 EU-UKRAINE SUMMIT

Implications for international investors

6 February 2023

INTRODUCTION

On 3rd February, the first EU-Ukraine Summit was held since Russia invaded Ukraine last February. The much-anticipated summit, which carries huge symbolic significance as the first anniversary of Russia's invasion approaches, was organized to strengthen EU-Ukraine ties amidst the continuing war, demonstrate EU support to Kyiv and touch upon key issues, including Ukraine's EU membership bid, further targeted sanctions against Moscow, as well as the country's recovery and reconstruction.

While the EU has recognized the progress made by Kyiv in aligning itself with the European bloc and also agreed with Ukraine on bringing the country closer to the EU (and its Single Market), the summit fell short of Ukraine's expectations for a fast-tracked EU membership accession process. However, Kyiv remains committed to start accession talks this year and becoming a full EU member by 2026.

Heading into 2023, the EU – along with the US, the G7 and international financial organizations – is also stepping up its efforts to support Ukraine's recovery and reconstruction; a process the European bloc estimates will be worth at least €600 billion, with the International Monetary Fund also preparing to grant Ukraine much-needed financial support.

Below, we outline the main takeaways from the 24th EU-Ukraine Summit and its implications for international investors.

This memo will cover:

-  the symbolic and actual significance of the Kyiv summit,
-  an overview of bilateral relations between the EU and Ukraine,
-  prospects for Ukraine's EU membership path and new sanctions against Russia,
-  new international efforts to support Ukraine's recovery and reconstruction.

AN HISTORIC SUMMIT IN KYIV

On 3rd February, President of the European Council Charles Michel, European Commission President Ursula von der Leyen – accompanied by the College of EU Commissioners – met Ukrainian President Volodymyr Zelensky and members of the Ukrainian government in Kyiv for the 24th EU-Ukraine Summit; the first bilateral summit organized since the start of Russia's invasion.

Scheduled to commemorate the approaching anniversary of Russia's invasion on 24th February 2022, the much-anticipated summit was held to demonstrate EU support for Ukraine amidst Russia's continuing war as Kyiv aims to boost international political, economic, military and humanitarian support. Below, we outline the four main takeaways from the Kyiv summit and its short-term implications.

1. EUROPE READIES ITSELF FOR THE LONG HAUL

As the first anniversary of Russia's all-out war on Ukraine draws near, analytical consensus remains that there is no end to the war in sight, at least for the short term. Following up on its first major and ultimately successful counteroffensives and the recapture of Russia-occupied territories during the second half of 2022, Ukraine is now both preparing for a counteroffensive and bracing itself for a new major Russian military campaign.

During the summit, EU leaders underlined their commitment to continuing political and military support to Kyiv "for as long as it takes." In addition to recent decisions from key NATO allies such as the US and Germany to provide heavy battle tanks, overall EU military support is now estimated at €12 billion, to which the two latest European additions are an additional €500 million in military assistance under the European Peace Facility and the launch of the EU Military Assistance Mission to train an initial 30,000 Ukrainian soldiers in 2023.

The EU also reiterated that it will not accept "peace under Russian terms", a recognition that this would lead to Ukraine losing a large share of its territory and elevated security risks¹ to Europe as a whole. As Ukraine continues to exercise its right to self-defence in accordance with international law, the EU pledged to ensure the widest possible international participation to the Global Peace Formula Summit proposed by the Ukrainian President.

2. NO FAST-TRACKED EU MEMBERSHIP FOR UKRAINE

As widely expected, the Kyiv summit fell short of meeting Ukraine's expectations for fast-tracked EU membership. Seven months after being officially granted candidate status (alongside neighbouring Moldova) last June, Kyiv now has an ambitious plan to become a full member of the European bloc by 2026 and officially start membership talks as early as this year.

However, Ukraine's actual path to EU membership remains uncertain. Largely due to the lack of support among members to accelerate the conventional accession process, EU leaders deliberately avoided committing to a fixed timeframe. Previous experience suggests that realistic membership routes – in line with requirements set out in the EU's founding treaties – take years, if not decades. A fast-tracked membership path, supported by Ukraine and its closest regional allies, would also require changes to the EU's founding treaties, something that remains unlikely at this point.

¹ See [here](#) for Aretera's overview of the top political risks facing the CEE region in 2023

Instead, the EU chose to focus on underlining Ukraine's progress in aligning itself with the standards of the European bloc. Recognizing Kyiv's progress, the EU agreed to further integrate Ukraine into the bloc's Single Market, with Ukraine aiming to focus on cooperation in agriculture, energy, transport, finances, customs and digital services.

3. NEW EU SANCTIONS TO MARK FIRST ANNIVERSARY OF THE WAR

The European Commission, the bloc's top executive body, is now preparing to present a new set of sanctions against Russia, which will be the tenth package of wide-reaching restrictive measures introduced against the Kremlin since Russian forces invaded Ukraine last February. While preparations are still underway, the Commission hopes to have these new restrictions "in place by 24th February" in a symbolic move to demonstrate the EU's continued support to Kyiv.

The tenth sanctions package, which follows a series of political, individual, economic, sectoral and other restrictive measures against Russia, is likely to face opposition from Hungary, where the government fears that further EU sanctions on Russian energy – particularly in the nuclear energy industry – would negatively impact the country's energy security. As the adoption of previous sanctions packages indicates, the EU is likely to find a compromise solution acceptable to all member states and will be able to maintain the bloc's strategic unity against Russia going forward.

4. WEST STEPS UP PREPARATIONS FOR UKRAINE'S RECONSTRUCTION

Following the EU's recent disbursement of the first tranche of its €18 billion annual aid package to Kyiv for 2023, **the European Commission is currently looking into how to use Russian-owned funds frozen as a result of the nine previous sanctions packages** for Ukraine's recovery and reconstruction, which the EU estimates will cost at least €600 billion.

Speaking in Kyiv on 3rd February, European Commission Executive Vice President Valdis Dombrovskis announced that the EU, the US and Ukraine have agreed on a formal structure and mechanism for granting financial assistance to Kyiv with the aim of supporting Ukraine's reconstruction. Although further details are yet to be defined, the reconstruction will likely be guided by the G7 and coordinated through a trilateral steering committee involving representatives from the Ukrainian and US governments, as well as from the European Commission.

This comes as the International Monetary Fund (IMF) is expected to finalize a sizable lending program for Ukraine worth \$14-16 billion in the spring, with the European Investment Bank (EIB) aiming to disburse at least €0.5 billion this year after granting Kyiv €1.7 billion in infrastructure reconstruction funds in 2022.

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