

DiCE “Future of Europe” panel at TEPSA’s Swedish Pre-Presidency Conference

“The Reconstruction of Ukraine and the Future of Europe”

Stockholm, 1 December 2022



#SwedishPPC
SWEDISH PRE-PRESIDENCY CONFERENCE

THE RECONSTRUCTION OF UKRAINE AND THE FUTURE OF EUROPE

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In the framework of the Horizon 2020 project [“DiCE – Differentiation: Clustering Excellence”](#), on 1 December 2022 TEPSA organised a panel on “The reconstruction of Ukraine and the Future of Europe” at its Swedish [Pre-Presidency Conference \(PPC\)](#), held on the occasion of the incoming Swedish Presidency of the Council of the EU which took place in Stockholm.

The PPC is TEPSA’s biannual flagship event, taking place right before the inauguration of each new Council Presidency. Bringing together academics, think tankers, policy makers, media and civil society, the conference aims to discuss the agenda and challenges of the upcoming Presidency and of the EU more broadly.

The aim of this panel was to reflect on key questions that arise in relation to the war in Ukraine and the implications for the future of Europe and possible differentiation scenarios. The goal was to delve into the question of the country’s reconstruction and future integration into the European Union, including the role of differentiation in this process.

The panel was moderated by **Fredrik Löjdqvist** (Director of the Stockholm Centre for East European Studies - SCEEUS) and featured four highly distinguished speakers: **Nona Mikhelidze** (Senior Fellow at the Istituto Affari Internazionali – IAI), **Svitlana Chekunova** (Leading Expert, Energy, Razumkov Center), **Torbjörn Becker** (Director, Stockholm Institute of Transition Economics, Stockholm School of Economics), and **Matteo Bonomi** (Senior Fellow, Istituto Affari Internazionali (IAI), member of the DiCE project).



Nona Mikhelidze reflected on the economic dimension of Ukraine's post-war reconstruction. She acknowledged the resistance and resilience of the Ukrainian society and the success of European democracy when supporting its neighbourhood. She also highlighted the work done by Ukraine since 2014, when they signed the Association Agreement with the EU. This work included fiscal reform, budget reallocation and reform of the banking sector and sovereign debt. Furthermore, she highlighted that transparency and anti-corruption measures implemented contributed to decentralization of the whole system. All those reforms have contributed to Ukraine's achievement of the candidate status. Lastly, she addressed the challenges that Ukraine is still facing that will have an impact on its future accession. Those include the need of judicial reform, the implementation of other anti-corruption reforms, and changes in the governance structures. She concluded by reminding the audience about the geopolitical changes for the EU that would come if Ukraine managed to win the war, and stressed the importance of supporting Ukraine's economy to ensure sustainable peace after the war.

Matteo Bonomi elaborated on some of the activities organised by IAI in the framework of the DiCE project, with a particular focus on a scenario marathon on differentiation, and presented the main conclusions from a policy paper on strategic foresight produced drawing insights from the foresight exercise conducted during the scenario marathon. He then focused on the concept of differentiation in the context of Ukraine's accession to the EU while drawing research inputs from the DiCE project. He explained that the war and the granting of candidate status to Ukraine has revitalized the EU enlargement policy, which seemed to be completely dead until then. There has also been a clear shift in both the policy and academic debate, resulting in strong demands for de-differentiation of the EU's surroundings. While before differentiation in external relations was seen as a way to further cooperation with third countries, there is currently no more space for ambiguity. At the same time, Dr Bonomi recognised that de-differentiation will not be an easy task, and that Ukraine's accession process will be long and difficult. The challenge for the EU is how to make this process sustainable, he stressed. However, he concluded, studies conducted so far on external differentiation can be very useful not so much in seeing external differentiation as an alternative to accession, but rather to find ways to make the accession process effective, sustainable and legitimate.

Svitlana Chekunova elaborated on the energy dimension of Ukraine's reconstruction. She explained how reconstruction and closer cooperation with the EU will have benefits for both sides. The electricity market and a revitalized renewable sector are clear opportunities of collaboration. Natural gas dependency has been reduced thanks to domestic production and the hydrogen industry seems to be very promising. She emphasized that the Russian invasion has made a green transition even more urgent, and Ukraine is committed to work towards the objectives set out in the European Green Deal.

Torbjörn Becker argued that it is necessary to invest all of EU's resources now to make sure that Ukraine wins the war: the longer it takes to win, the more damage that will be done and the more costly it will be to reconstruct it. He explained that it is important to make a sound



and solid plan that is ready to be implemented once the war is over. He proposed the creation of a specialized agency fully devoted to the reconstruction of Ukraine. He suggested that this agency sets out the priorities of the donor community and makes sure that the reconstruction plan aligns with the wishes of the Ukrainian government. He stressed the importance of avoiding corruption at all costs and therefore this agency should include a layer of monitoring and auditing to ensure a successful and faster implementation. Lastly, he stressed that the alternative to sending money to end the war and investing in the reconstruction process might be a worse scenario than doing so. He added that Ukraine's accession to the Union should be the EU's priority.

Fredrik Löjdquist invited the speakers to reflect on the way in which funds should be mobilized, the possibility of reconstruction without Ukraine's membership or taking clear steps towards EU's path, and the role of EU leaders in the process.

Matteo Bonomi explained that it is very difficult to envision a reconstruction path without enlargement. He added that an effective enlargement process can stabilize and transform countries. He argued that the current policy of giving all the benefits only after becoming part of the union makes accession more difficult: in fact, applying differentiation would allow providing some of the benefits before accession is completed.

Nona Mikhelidze acknowledged that the EU enlargement process usually uses a regional approach that might not be appropriate anymore, as each country has a different story and implements reforms at a different speed. Differentiation allows for regional divergencies in the process, because Ukraine should not wait for Moldova or Georgia to catch up. She added that accession should be merit based and not a competition. Furthermore, she pointed out that, for instance, among the Italian population, the EU is seen as an instrument to bring peace and the public opinion generally has a positive view of enlargement.

Torbjörn Becker elaborated on the idea that it is necessary to provide financing upfront. It is in the EU's interest to have prosperous neighbours; therefore, the EU should ensure that when they join the Union they are in a stronger situation, above the minimum standards or requirements.

Svitlana Chekunova expressed her views about the green transition, stating that it is irreversible, and that Ukraine has been working internally towards it. She explained that the war is giving Ukraine the opportunity to reshape its energy mix and rebuild its infrastructure given the existing great potential for renewables. She also acknowledged that work still needs to be done to liberalize the energy, electricity and gas market given its many distortions.

The presentations were followed by a lively discussion focusing on a number of issues including: the need of treaty reform for successful enlargement, effects of migration from Ukraine for the reconstruction process, the political factors impacting the fulfilment of the Association Agreement, the projections of the DiCE scenario marathon in relation to Ukraine's integration and the legal and political difficulties of using frozen Russian assets. In their concluding remarks, all the speakers were asked by the moderator to give a one single wish to



be fulfilled by the Swedish Presidency. The panellist underlined the need to coordinate the support before the war ends, including the creation of a specialized agency as pointed out earlier. They also stressed the importance of maintaining and developing Ukraine's defence capabilities to ensure Ukraine's victory and to reduce human suffering, as well as starting accession negotiations.

