

December 4th 2025

Can (Accelerated) EU Enlargement Work?

Case Study: UKRAINE

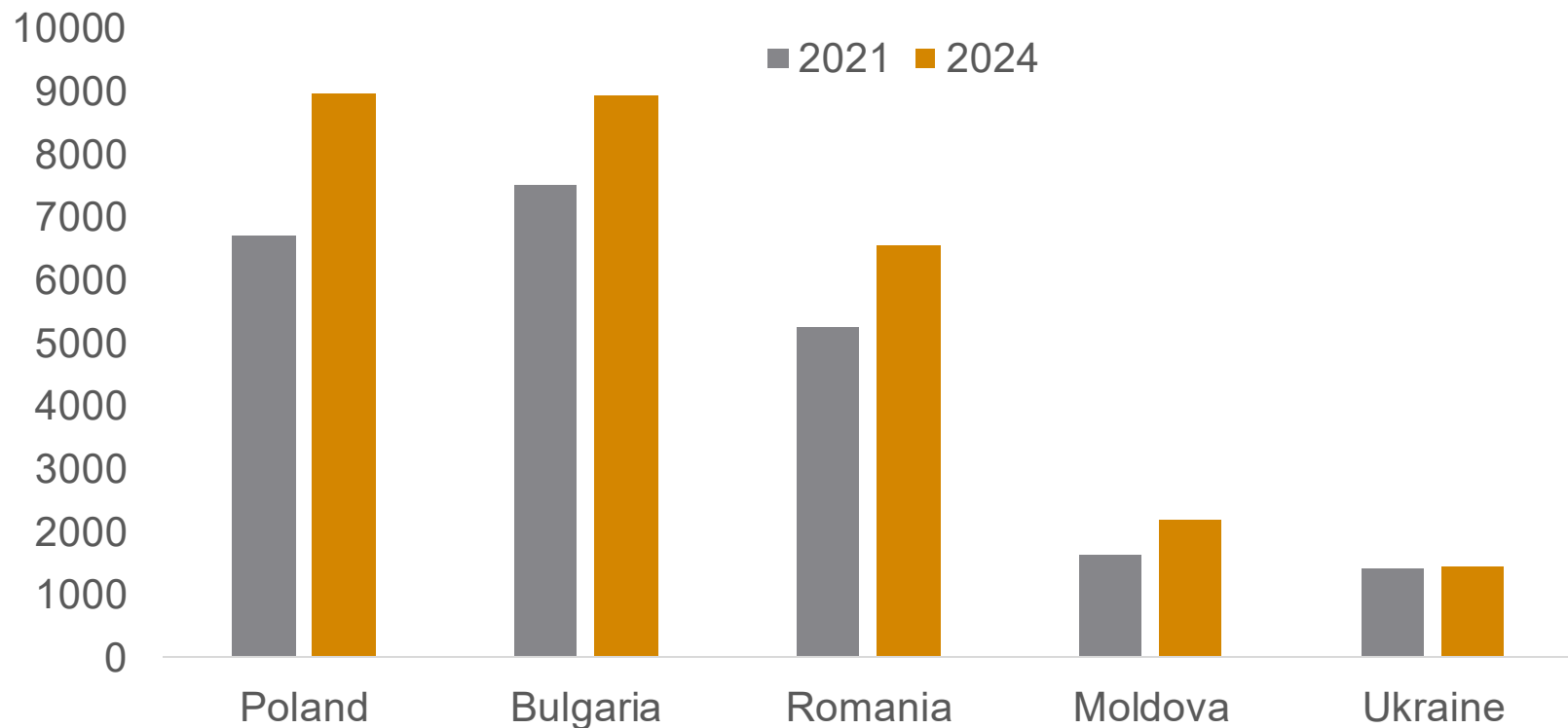
Olga Pindyuk, wiiw Economist

The main challenges for Ukraine's EU accession

- The low level of **inward FDI** is largely due to a poor investment climate, in particular inadequate control of corruption and lack of the rule of law.
- **Macro-financial imbalances** are accumulating because of the large fiscal deficit and growing public debt.
- The economy has a **low level of complexity**, with increasing specialisation in raw materials and (low value-added) intermediate products.
- Leaving aside ICT and agriculture, many sectors have **low labour productivity**.
- Demographic challenges of a **dwindling population**.

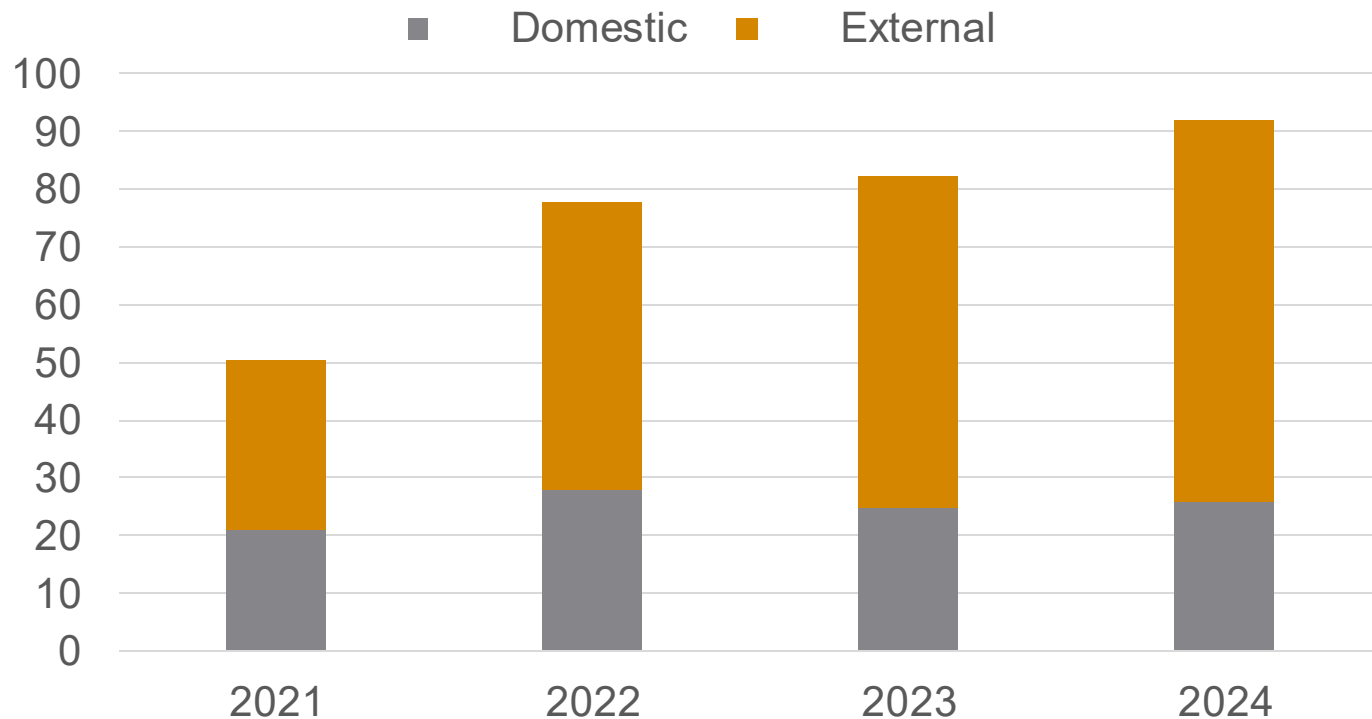
One of the main Ukraine's weaknesses – low FDI attraction

Inward FDI stock, EUR per capita



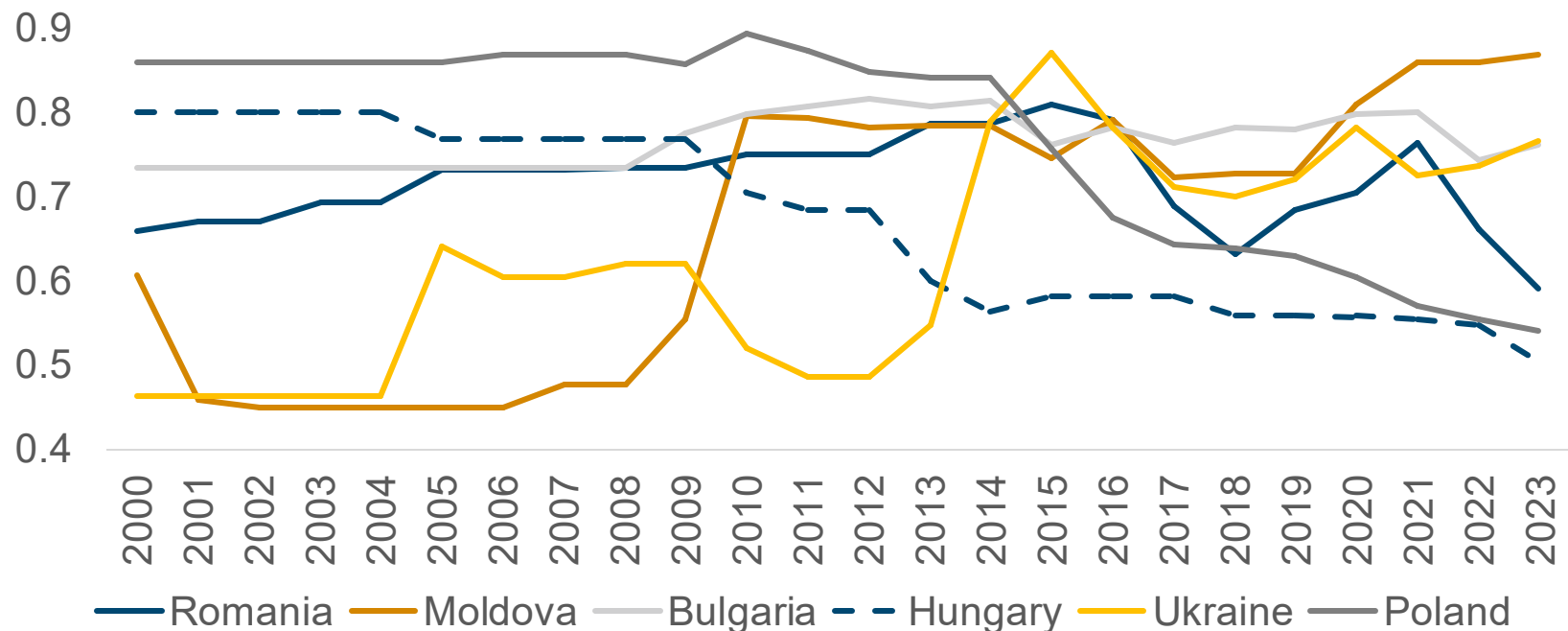
High public debt represents a future potential threat to the country's macro-financial stability

Total public and publicly guaranteed debt (% of GDP)



On the bright side, Ukraine's strong civil society is likely to galvanise implementation of the future reforms

Civil society participation index for Ukraine and selected CESEE countries

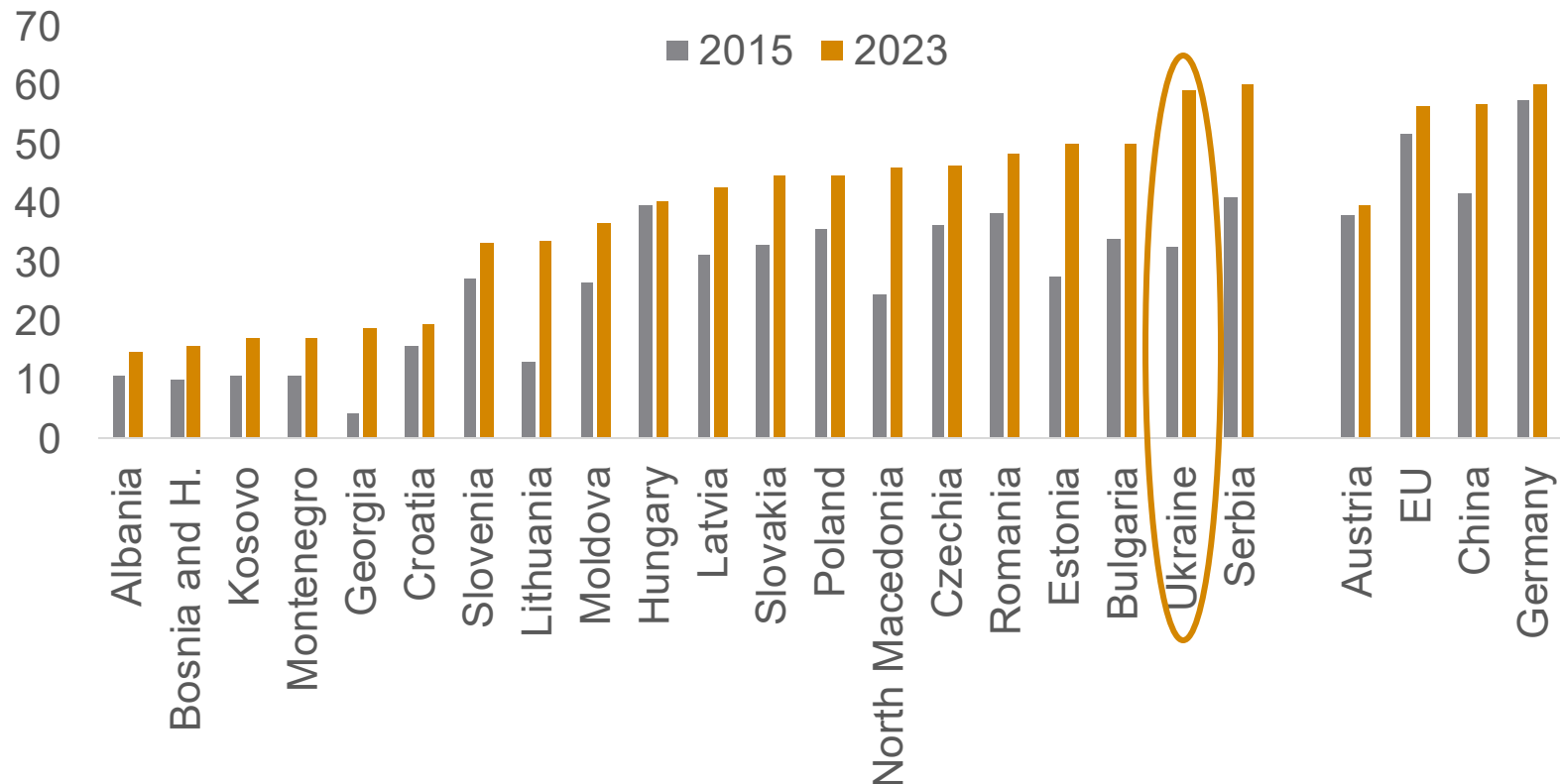


Note: Civil society participation index provides a measure of a robust civil society, understood as one that enjoys autonomy from the state and in which citizens freely and actively pursue their political and civic goals, however conceived. Values lie in the interval (0-1), with 0 meaning the lowest level of civil society development.

Source: V-Dem Dataset, Varieties of Democracy (V-Dem) Project .

Ukraine has made a significant progress in digitalisation of its economy

Digitally delivered services as a share of total services exports, in %

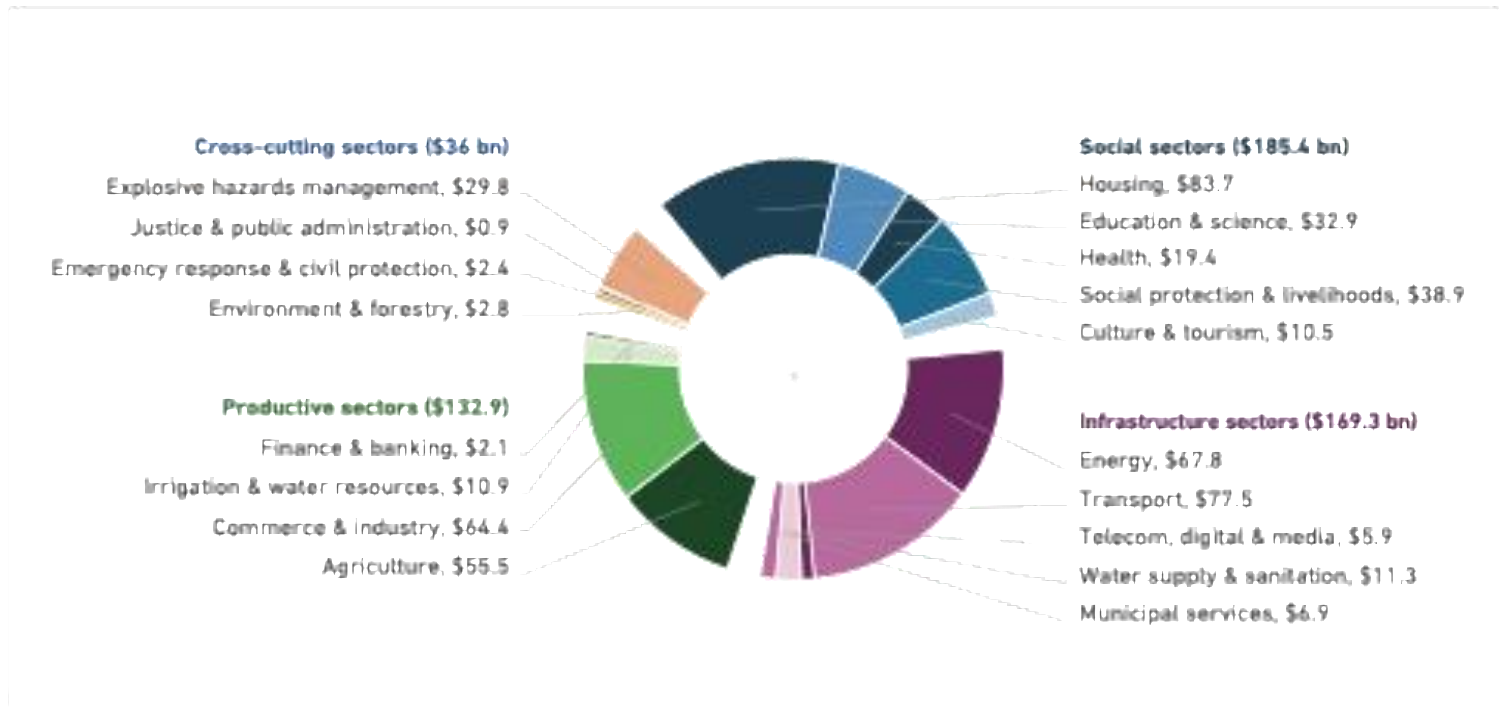


Ukraine's comparative advantages and potential benefits for the EU

- **Defence / machine-building:** Fast developing defence industry, in particular drones' production.
- **Critical minerals:** Ukraine has Europe's biggest deposits and can support EU strategic autonomy.
- **Renewable energy:** Share in the energy mix more than doubled between 2015 and 2020. Major further potential in biomass, solar and wind.
- **Agri-food:** Strong competitiveness and high degree of resilience to war.
- **ICT:** In digital services Ukraine is already a frontrunner in the region. Digital economy and cyber-defence capabilities have strengthened further since 2022 invasion.
- **Metals:** A historical strength, badly impacted by Russian invasions, but could be revived with EU support.

FDI will play a crucial role in the post-war economic reconstruction and preparing Ukraine for the EU accession

Total recovery and reconstruction needs of Ukraine (USD 524 billion)



Note: Needs relate to total estimated needs covering the period of 10 year from 2025 up to 2035. Where data were available, needs met were deducted.

Source: RDNA report 2025

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