

Russia's War in Ukraine: What's at Stake for Europe

by Olga Pindyuk

“Ukraine has also a lot to offer the EU such as a big consumer market, high-skilled labour and a large agri-food industry.”

Russia's war in Ukraine is now in its fourth year and there appears to be no end to it in sight. US president Donald Trump's promise to “end the war in a day” quite predictably turned out to be an empty one. The US-led recent negotiations with Russia's president Putin led to the situation when Washington was forcing Ukraine to de-facto capitulate while simultaneously starting a rapprochement with Russia. The dictated ‘peace’ deal, offered to Ukraine, implied that not only the aggressor country would escape punishment for its crimes, but it would also be rewarded with additional territory (a part of which is currently under Kyiv's control). Trump has not only been refusing to name Russia an aggressor state or request any concessions from Putin in the ceasefire negotiations but also demanded that Ukraine signs a



so-called “minerals deal”, under which it would hand over to the US control over all the country’s natural resources as well as transport and energy infrastructure as a “payback” for all the previously provided aid. The sides have managed to arrive at a compromise deal to establish a joint investment fund for the reconstruction of Ukraine, which will be capitalized, in part, by revenues from future natural resource extraction. The agreement was signed on April 30 and ratified by Ukrainian parliament on May 8. Although it is more favourable to Ukraine than earlier iterations, however it doesn’t offer any formal security guarantees in return and rather reflects the Trump administration’s transactional approach to diplomacy. In the short run, the deal is not likely to bring any tangible financial gains as critical mineral mining projects take a significant amount of time to reach production, with average duration ranging from 7 to 20 years. Moreover, access to significant mineral resources in the occupied territories is blocked by Russia. Thus, the agreement can be seen as mostly a diplomatic gesture on the side of Ukraine in order to revive the US military support.

A drastic change in the American policy on Ukraine is not a singular development but rather an example of paradigm shifts in US foreign policy. Since Donald Trump returned to the White House, relations between Washington and Brussels have become increasingly strained as the US appear to be disengaging from Europe both economically and militarily. Trump’s attempts to destroy the global trade system through the introduction of the so called “reciprocal import tariffs” are yet another element of the new US policy approach. The outcome of this array of extreme policy shifts in the largest world economy and military power could be a full re-drawing of the global world order.

For the EU the new geopolitical reality means existential challenges that need to be responded to without delay. One of the most acute crises to solve is Russia’s war in Ukraine. Although Ukraine is not yet a member of the EU, Russia’s war on its territory should not be seen as just a local conflict, but rather as a Europe-wide crisis. As Putin publicly stated, his goals are not limited to a control of Ukraine but rather include the re-establishing of control of the former Soviet bloc countries. The war fits well to a broader pattern of Russian pressure and assault on the Western post-World War II security order. If Putin’s conditions to end the war with Ukraine are satisfied (no NATO membership, de-militarisation of the country), it would be only a matter of time before the Kremlin would be able to establish a full control of the country (e.g., via a puppet government similar to Belarus) and its sovereignty will be lost. This will have grave implications for the West, and the EU in particular:

- The West would show that it is afraid of escalation and military confrontation with autocratic regimes, and it would be discredited as a guarantor of global security and order. Autocratic regimes, on the contrary, would be strengthened globally. Ukraine’s defeat would likely embolden Russia to turn its attention to other countries to attack (Georgia, Moldova) or destabilise (Baltic States, Poland). Russia might even be tempted to test the solidity of NATO’s Article 5 guarantee by attacking some of the Central-East European EU members. China’s attack on Taiwan would also become much more likely.
- A new round of global nuclear proliferation would be likely, as having nuclear weapons will be perceived as more reliable security guarantee than promises of help from allies. No country will ever voluntarily give up its nuclear arsenal again as Ukraine did



after the Soviet Union’s collapse. We can already observe the strengthening of nuclear arsenals in the nine nuclear-armed states countries (the US, Russia, the UK, France, China, India, Pakistan, North Korea, and Israel), and Iran has come dangerously close to obtaining nuclear weapons. Poland, South Korea and Japan have expressed willingness to acquire nuclear weapons, and the list might grow.

- If the Kremlin gains political control of Ukraine by turning it into a vassal state with a puppet government like Belarus, this will mean that the Ukrainian army, which has become one of the biggest in Europe, might be used against the EU itself. This will significantly increase security risks for Europe.
- Millions of Ukrainians would emigrate to Europe, fleeing from the kind of atrocities already seen in the occupied territories. The large influx of Ukrainian refugees into the EU in 2022 has indeed put a strain on the welfare systems of some member states, particularly in areas like housing, education, and healthcare. At the same time, integration of the refugees in the job market has been hampered by a number of challenges, including language barriers, lack of daycare options and social networks, and difficulties in recognition of education and qualifications. ➤

• There could be significant damage to global food security, causing migration from vulnerable countries in the Middle East and Africa to Europe. When Ukraine lost its access to the Black Sea transport corridors in 2022, there was a big spike of global food prices as a result as the country is a major exporter of agricultural commodities globally, with countries in Middle East – North Africa (MENA) and East Asia being among the main importers of its produce. For example, in 2024, Ukraine accounted for 14% of MENA's wheat imports, 26% of sunflower seeds imports and 38% of maize imports. Any additional shocks to Ukraine's agricultural sector could again cause disruptions in the global supply of food.

So, what can the EU do to not let this outcome materialise? The answer is rather straightforward – increase its aid – both financial and military – to Ukraine. The country's economy is more than ten times smaller than Russia's and it would not be able to fight the war if the aid it receives decreases due to the US pulling out from the previous agreement to support the country's defence efforts. The goal should be for Ukraine to ultimately achieve sustainable peace, under which the country will maintain control over most if not all of its pre-war territory and will be offered unequivocal security guarantees – either a membership of NATO or an alternative similar security arrangement.

Although the EU is already the main donor of Ukraine, there should still be significant potential for the EU to scale up its aid to the country. The amount of aid that the EU and its member states have provided to Ukraine collectively pales in comparison to the amounts dedicated in response to other major crises in the recent past, such as euro area bailouts in Greece, Ireland, Portugal and Spain in the 2010–2012 period or the EU's energy subsidies

in the period between September 2021 to January 2023. On the bilateral basis, the biggest EU economies have spent a negligible amount to support Ukraine. Germany and France, for example, in total allocated to Ukraine less than 0.5% of their annual GDPs (0.44% in Germany, 0.18% in France), while Estonia and Denmark each allocated 2.2% of annual GDP.

Another source of funding could be generated by confiscating frozen Russian Central Bank's assets. There have been numerous studies, showing that confiscating the frozen Russian assets, although legally challenging, is feasible. Furthermore, not confiscating assets is a policy choice in itself – and with policy consequences potentially just as profound as it implies impunity of countries conducting military aggression and violating the international legal order. If the aggressor state Russia is not forced to bear responsibility for its actions and compensate for all damages, Ukraine would be deprived of desperately needed resources to invest in the reconstruction of its economy. Not to mention that this would also be wrong in moral terms. The most recent estimates put the costs of the post-war reconstruction at more than USD 500 bn, which exceeds more than twice the RCB assets frozen in the EU.

When it comes to military aid, the task for the EU is more complicated in the short run as Europe lacks several types of crucial military equipment produced by the US. However, given the unreliability of the US under the new Trump administration, it's in the EU's own interest to build up a self-sufficient military industry and achieve strategic autonomy. Ramping up defence funding inside the EU as a part of the ReArm Europe plan as well as investing in the Ukrainian military-industrial complex are the steps in the right direction, which will not only



strengthen European security but give a boost to the European industry. The EU-level procurement with common EU standards and joint production in multiple member states will be a crucial pre-condition for achieving the true strategic autonomy as military equipment and ammunition would need to be produced at industrial scale.

The new geopolitical reality also has its silver linings for the EU. With the US disengaging from the global economy and retreating from its position as the global power, the EU now has an opportunity to fill the gaps and become a more significant global player. The devastating effects of the reckless actions of President Trump on the US economy showed how important the rule of law, predictable policies and stable institutions are. By remaining adherent to democracy and rule of law the EU could become a more attractive investment destination compared to the US. By protecting the freedom of speech, which has been under attack in the US, the EU



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could also become a more attractive environment for scientists and benefit from a so called “brain gain”.

The EU could potentially compensate for the lost US markets by deepening economic integration in the European single market and expanding economic ties with the rest of the world. Although the US' share in global imports of goods and services of around 13% is non-negligible, it is arguably not high enough to assure a country's monopolistic position. Decreasing barriers to trade with other partners could help the EU at least partially offset the negative effects of higher costs in trade with the US. Since November 2024, the EU concluded a free trade agreement with Mercosur, finalised or upgraded deals with Mexico, South Africa and Switzerland, and continued to work on a free trade agreement with Malaysia and India – these are all steps in the right direction.

Offering Ukraine EU candidate status (as well as to Moldova and Georgia) is also in the interest of the EU. Ukraine

can not only offer EU businesses a potentially big consumer market as well as access to high-skilled and medium-skilled labour, but also its comparative advantages in IT, defence, green energy and agri-food sector can be of great benefit for the various aspects of the EU's security such as in the areas of military, cyber, food and energy security. The country's defence sector is likely to become one of Europe's most important defence industries in the future. As we seem to be living through the hinge of history, the EU's ability to overcome the challenges it is facing is of critical importance. If the EU drags its feet and does not rise to the challenge fast enough, Ukraine will likely suffer a devastating defeat, which will have wide-reaching repercussions for Europe and potentially for the entire international rules-based order. However, if the EU manages to mobilise and act swiftly, it could help preserve democracy and prosperity in the region and become a true global power.

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