

# Comparative analysis of the EU candidate countries

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**Abstract:** In the light of the current global context and the evolution in the last years of the international and economic relations, with a significant change of the relations, reshaping of the global order in the light of the current war in Ukraine, the regional context, the regionalisation and regional cooperation proves to be essential in ensuring the development of the world economy. The key role of European Union (EU) together with other key players on the international arena in maintaining the balance in the global economy is vital. In particular, in Europe the role of EU in supporting the development of a number of states, with a special focus on EU candidate countries and potential candidate countries is incontestable. This article will focus on the comparative analysis of the economic potential of the EU candidate countries and potential candidate country Georgia, by analysing the production capacity, the level of inequality in these countries, the evolution exports of goods and services, the share of medium and high-tech exports of these countries, the share of exports to high-income countries, the importance of EU as export destination for these countries and the global competitiveness index of the considered countries, highlighting the potential and also the perspective of the candidate countries in the light of potential accession to the EU and impact on the market.

**Key words:** EU accession, EU candidate country, production capacity, exports, medium and high-tech exports

In this article we will consider the economic potential, and in particular the role in international and regional trade of EU candidate countries in the light of the current international framework.

Currently there are eight candidate countries for the European Union (EU) accession: Albania, Bosnia and Herzegovina, Republic of Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine. Republic of Moldova and Ukraine being the ones gaining the candidate status in June 2022 following Russia's invasion in Ukraine, also, Bosnia and Herzegovina gained the candidate status last year, in December 2022. On the opposite side, the country with the oldest candidate status is Türkiye, for which in 1999 has taken place the official recognition of its candidate status for EU membership, but the effective negotiations for the accession of Türkiye are on standstill due to a various number of factors.

At the same time, the candidate countries with most significant progress in terms of potential accession and that are expected to join the EU earlier than others are Montenegro and Serbia.

The current status of candidate countries for which the accession negotiations were opened is the following: Montenegro - negotiations were opened in June 2012, and all 33 applicable negotiating chapters have been opened, of which 3 have been provisionally closed; Serbia - negotiations were opened in January 2014, and out of 34 applicable negotiating chapters, 18 have been opened, of which 2 have been provisionally closed; for Albania - negotiations were opened in July 2022, and so far none of the 33 applicable negotiating chapters have been opened or correspondingly closed; and for North Macedonia that is in a similar position with Albania - negotiations were opened in July 2022, and none of the 33 applicable negotiating chapters have been opened or closed yet.<sup>1</sup>

As concerns Moldova, Ukraine and Bosnia and Herzegovina, they have not started yet the accession negotiations.

Other potential candidate countries are Kosovo that is in a sensitive position considering that its independence is not recognized by five EU member states, and Georgia that similar with Ukraine and Moldova has submitted its application in the year 2022, but that is still with a potential candidate status.

The candidate states are to negotiate the terms of EU accession with the member states, and a mandatory component of the preparation for accession represents the alignment of the national legislation with the EU law, thus the full implementation of the *acquis communautaire*.

The conditions for EU membership, known as "Copenhagen criteria" include the requirement for a stable democracy and the rule of law in the state, a functioning market economy and the acceptance and implementation of all EU legislation.

The second stage, after obtaining the candidate status, is the formal membership negotiations. The mandatory requirement for negotiations to be started is that all EU governments agree, thus it is required a unanimous decision of the EU Council on the framework and mandate for negotiations with the correspondent candidate country. The format of negotiations between EU and the country is an intergovernmental conference comprising ministers, ambassadors of the EU governments and the respective candidate country.

Due to the complexity of the process, the accession negotiation may last for more than one decade, and the process is initiated by the submission of the membership application by the interested country to the European Council, that decides on the request to the Commission to assess the applicant country's ability to meet the "Copenhagen criteria". After this assessment is conducted, the Council will decide on a potential negotiation mandate, and after that formal negotiations may be opened on a subject- by-subject basis, that is a comprehensive and complex process.

<sup>1</sup> [https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/glossary/accesion-eu\\_en](https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/glossary/accesion-eu_en) (accessed on 8 November 2022)

The negotiations under each chapter are comprised of screening, identifying the extent to which candidate country's each policy field (chapter), is prepared, or requires further improvement, by meeting certain conditions, all these are to be reflected in the screening report that is presented by the Commission to the member states either with the proposal to open a chapter for negotiations or to meet certain conditions that is to delay the initiation of the negotiations until these conditions are fulfilled. The candidate country would submit its negotiation position and EU would adopt a common negotiation position regarding each chapter.

Following the negotiations, only once every EU government considers satisfactory the candidate country's progress in the corresponding chapter, a chapter could be closed. And consequently, the whole negotiation process can only be finalized definitely once all the chapters have been closed and correspondingly EU accession may be completed.

Once the accession negotiations have been completed, the Accession Treaty containing the detailed terms and conditions of membership, all transitional arrangements and deadlines, as well as details of financial arrangements and any safeguard clauses will be adopted by the EU Council, EU Commission and the European Parliament, signed by the candidate country and all EU countries, and finally ratified by the candidate country and all EU countries. Only after ratification, and as per provisions of the Treaty, the acceding country will become a member country.<sup>2</sup>

Since the last accession to EU of Croatia in 2013, there was registered a relative slow progress in the accession negotiations, for example in case of North Macedonia, although it has obtained candidate status in 2005, it has started the accession negotiations only in 2022, and so far, none of the chapters has been opened.

If to take a look at the so-called Association trio, Moldova, Ukraine and Georgia, in case of Moldova the European Commission recommended that nine key areas have to be addressed to proceed further with the considerations regarding the negotiation process. As regards, Ukraine, the European Commission recommended that seven key areas have to be addressed to proceed with further actions regarding accession negotiations. In case of Georgia, the Commission has granted only the status of potential candidate, since additional political and economic reforms are needed to be implemented in the country before the Commission will be in a position to recommend to grant to Georgia candidate status.<sup>3</sup>

Below will be analysed the economic potential of the candidate countries to EU accession, including potential candidate country, Georgia.

Among the list of candidate countries, Türkiye is the leading country in terms of GDP in current USD, reaching in the year 2021 about 819 billion USD, being 4 times bigger than the second in the row candidate country, Ukraine, registering a GDP of 200 billion USD. On the third place would be situated Serbia with 63 billion USD that is 13 times less than Türkiye and more than 3 times less than Ukraine, followed by Bosnia and Herzegovina with 23 billion USD, Albania and Georgia register a GDP of more than 18 billion USD each, followed by North Macedonia and Moldova with more than 13 billion USD each, and on the last place from the analysed countries is placed Montenegro with 5,8 billion USD. So, if to make abstraction of Türkiye, for which the negotiations are frozen, the GDP of Ukraine alone would be higher than of all the other candidate countries.

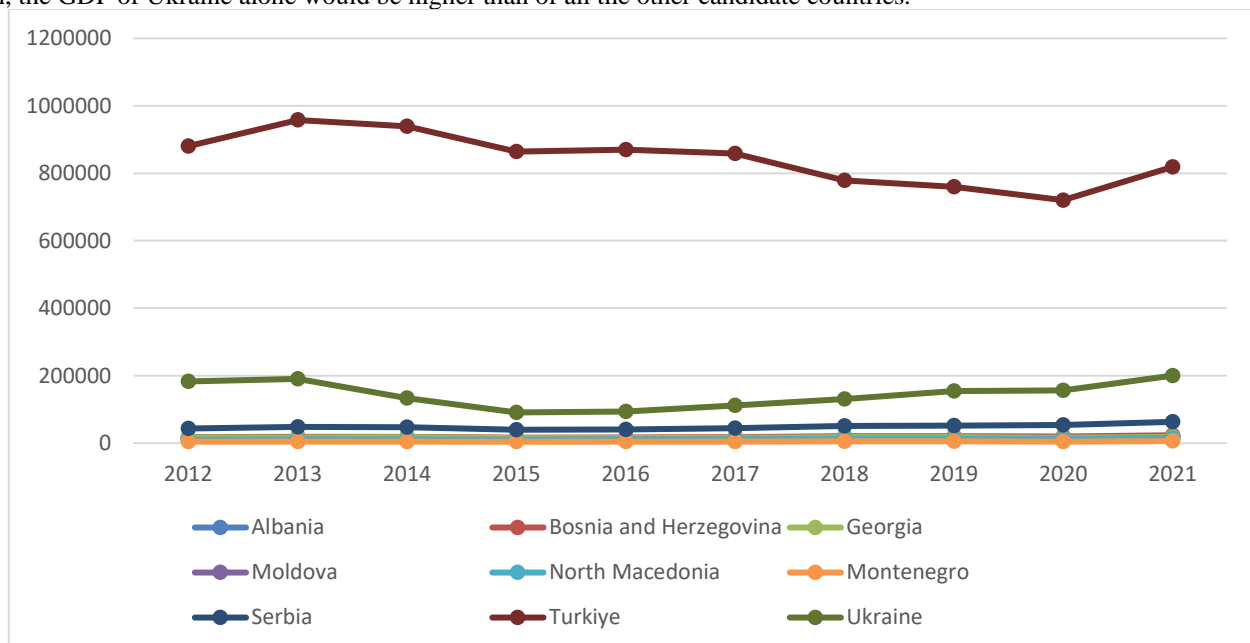


Figure nr. 1. GDP of EU candidate countries and potential candidate, Georgia, current USD, million

Source: elaborated by the author based on the WB data from

<https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#>

For all analysed countries the year 2015 was marked by a decrease in the GDP, but the one registering the highest decline in comparison with the previous year was Ukraine with a GDP declining with more than 31% in 2015, that was the second year in a

<sup>2</sup> [https://european-union.europa.eu/principles-countries-history/joining-eu\\_en](https://european-union.europa.eu/principles-countries-history/joining-eu_en) (accessed on 10 November 2022)

<sup>3</sup> [https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/moldova\\_en](https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/moldova_en);  
[https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine\\_en](https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine_en);

[https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/georgia\\_en](https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/georgia_en) (accessed on 11 November 2022)

row registering a significant decrease of GDP, after a 30% decline in 2014 in comparison with 2013, thus registering in the year 2015 and 2016 a level of GDP half of its value in the year 2012 and 2013, starting with 2016 Ukraine registered a constant increase of GDP and in 2021 it reached 200 billion USD, being slightly higher than the levels recorded in 2012 and 2013. Türkiye registered a decline of GDP from 2014 until 2020, with an increase in 2021 with about 13%, but still registering an absolute amount below the levels from 2012-2017. The other considered candidate countries managed by 2017 to register values of GDP similar to the ones from 2014, with declining GDPs in the 2020 due to pandemic, the only exceptions being Ukraine and Serbia that registered an increase of GDP in 2020, and all considered countries registered an increase in 2021 varying between 10% and 20%.<sup>4</sup>

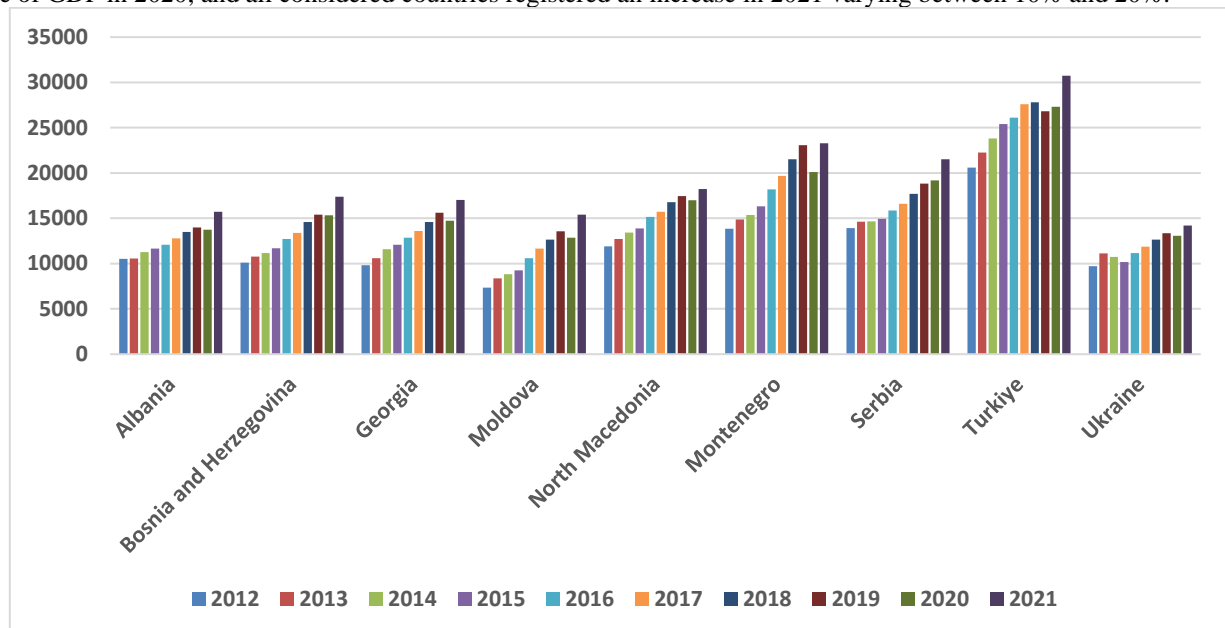


Figure nr. 2 GDP per capita, EU candidate countries and Georgia, PPP, current international USD

Source: elaborated by the author based on the WB data from

<https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#>

If to consider the GDP per capita, PPP, the ranking among EU candidate countries and Georgia, potential candidate, will look slightly different with values registered in 2021 as follows: Türkiye will be on the first place with a value of \$30 700; Montenegro - \$23 200; Serbia - \$21 500; North Macedonia - \$18 200; Bosnia& Herzegovina and Georgia – with around \$ 17 000; Albania and Moldova – more than \$15 000; and Ukraine - \$14 000. All analysed candidate countries registered an increase of GDP in the period 2012-2021, except for the year 2020, except for Serbia, Türkiye and Ukraine, that registered decline or stagnation additionally in 2013-2014 (Serbia), 2019 (Türkiye), and 2014-2015 (Ukraine). The countries that registered the highest growth rates of GDP per capita were Moldova that in the period 2012- 2021 doubled its GDP per capita, having also the lowest starting point, on the other extreme is Ukraine that registered an increase of 47% of GDP per capita in a ten-year period, the other considered countries registered an increase of GDP in 2012-2021 varying between 50% and 70%.<sup>5</sup> If to look at the three countries that have signed the Association Agreement with EU in 2014, Georgia, Moldova and Ukraine, it is to be noted that Georgia and Moldova registered an increase of GDP per capita following the signature and voluntary implementation of the agreement, while in Ukraine in 2015 and 2016 was registered a decline in the GDP per capita that was conditioned by Russian's attack on Ukraine, the war in the East and the occupation of Crimea.

Table nr. 1 Gini index for EU candidate countries and Georgia

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Albania	29	..	34.6	32.8	33.7	33.1	30.1	30.8	..
Georgia	39	38.6	37.6	36.5	36.6	37.9	36.4	35.9	34.5
Moldova	29.2	28.5	26.8	27	26.3	25.9	25.7	26	..
North Macedonia	38.1	36.2	35.2	35.6	34.5	34.2	33	..	..
Montenegro	41.2	39	38.8	39	38.5	36.9	36.8	..	..
Serbia	39.9	39.5	40.5	40.5	38.8	36.2	35	34.5	..
Türkiye	40.2	40.2	41.2	42.9	41.9	41.4	41.9	41.9	..
Ukraine	24.7	24.6	24	25.5	25	26	26.1	26.6	25.6

Source: retrieved from <https://databank.worldbank.org/>

<sup>4</sup> The World Bank: <https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators> (accessed on 17 November 2022)

<sup>5</sup> The World Bank: <https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators> (accessed on 21 November 2022)

Further will be considered the evolution of the Gini index for EU candidate countries and Georgia for the period 2012-2020, except for Bosnia and Herzegovina, for which data are not available. From the table above could be highlighted that countries that register higher levels of inequality among individuals or households are Turkiye (41.9), Montenegro (36.8), Georgia and Serbia (34.5), North Macedonia (33), Albania (30.8), and Moldova and Ukraine being on top with 26 (2019) - Moldova and 26.6 (2019 and 2020) – Ukraine.<sup>6</sup>

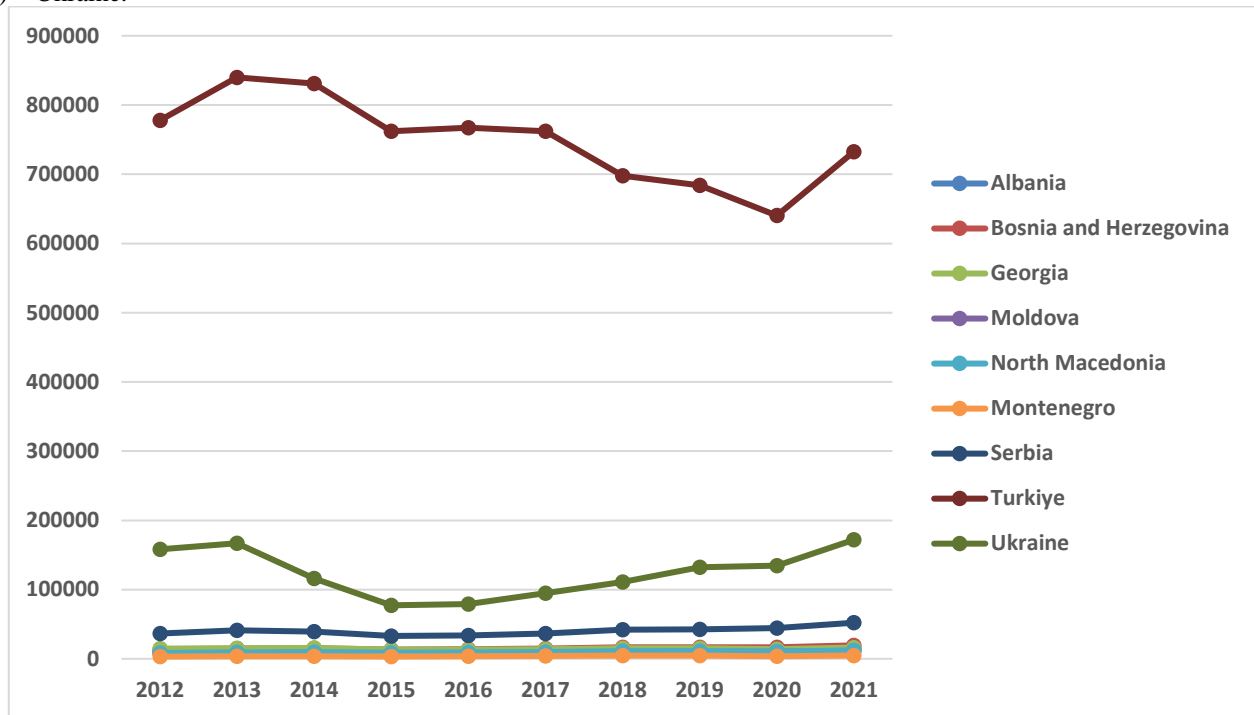


Figure nr. 3 Gross value added of EU candidate countries and Georgia, at basic prices (GVA) (million US\$)

Source: elaborated by the author based on the WB data from

<https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#>

From the gross value added point of view, on the first place is also situated Turkiye (732 billion USD), followed by Ukraine (172 billion USD), Serbia (52 billion USD), Bosnia and Herzegovina (19,5 billion USD), with Montenegro (4,7 billion USD) being on the last place. Turkiye registered a decline of gross added value from 2013 till 2020, with a slight recovery in 2021, but still below the levels from 2012-2017. Ukraine registered a decline of gross value added from 2013 till 2015, and moved to an upward trend of constant increase between 2016 and 2021, reaching a level higher than in 2012 and 2013.<sup>7</sup> The other EU candidate countries registered a steady evolution with a growth rate between 2021 and 2012 varying among countries between 30% and 50%, with declines registered in 2015 and in 2020.

In the chart below, will be presented the evolution of exports of goods and services of candidate countries in the period 2012-2021.

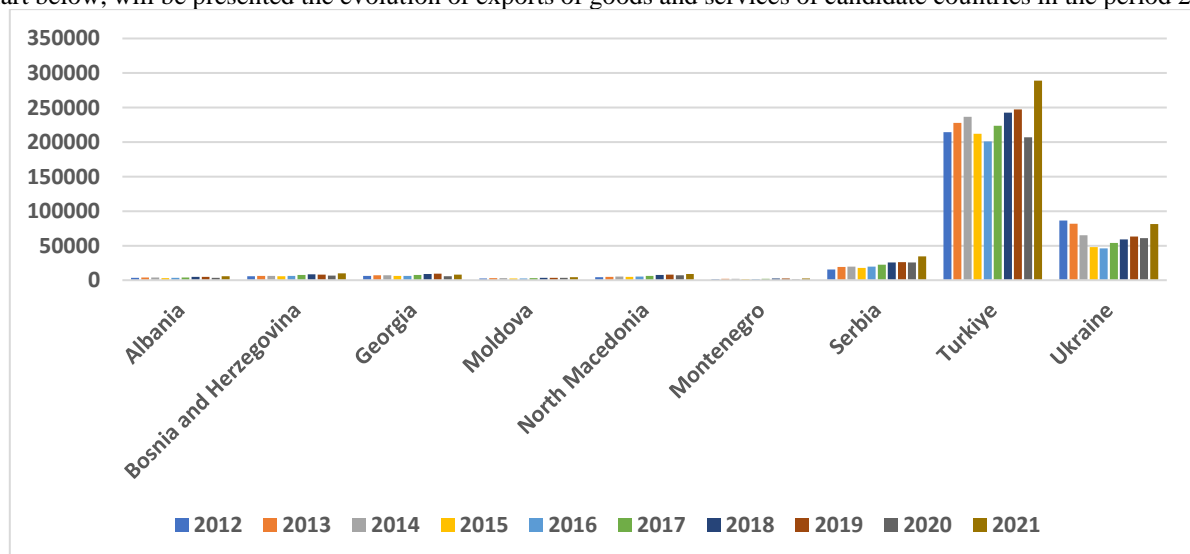


Figure nr 4. Exports of goods and services of EU candidate countries and Georgia, 2012-2021, million USD

<sup>6</sup> The World Bank: <https://databank.worldbank.org/> (accessed on 18 November 2022)

<sup>7</sup> The World Bank: <https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#> (accessed on 22 November 2022)

Source: elaborated by the author based on the WB data from

<https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#>

From the point of view of value of exports of goods and services in the year 2021, on the first place from candidate countries is Turkiye with more than 289 billion USD, followed by Ukraine with 81,5 billion USD, on the third place is situated Serbia – 34,4 billion USD, on the fourth place is situated Bosnia and Herzegovina – 10 billion USD, followed by North Macedonia – 9 billion USD, on the six place is situated Georgia – 8 billion USD, Albania registered exports of 5,6 billion USD, Republic of Moldova exported goods and services in 2021 of 4,2 billion USD, while Montenegro only – 2,5 billion USD.<sup>8</sup>

All candidate countries registered a decline of exports of goods and services in the year 2015, followed by a recovery in the period 2016-2019, the only two exceptions that continued to register decline in exports also in the year 2016 were Turkiye and Ukraine, and in 2020 Covid-19 pandemic negatively impacted the exports of all candidate countries, the highest decline in percentage being registered by Montenegro – with a decline of 50%, for other candidate countries the decrease of exports in 2020 varied between 4% and 40%, the lowest decline of exports being registered by Ukraine – (-4%), followed by North Macedonia (-9%), and Republic of Moldova with a decline of (-12%). All candidate countries and Georgia registered an increase of exports in 2021, and the majority managed to reach highest level for the period 2012-2021, the only two exceptions being Ukraine that didn't manage to reach the level of exports from 2012, which was the highest in the analysed period and Georgia that also didn't manage to register exports above the highest value recorded in the year 2019.

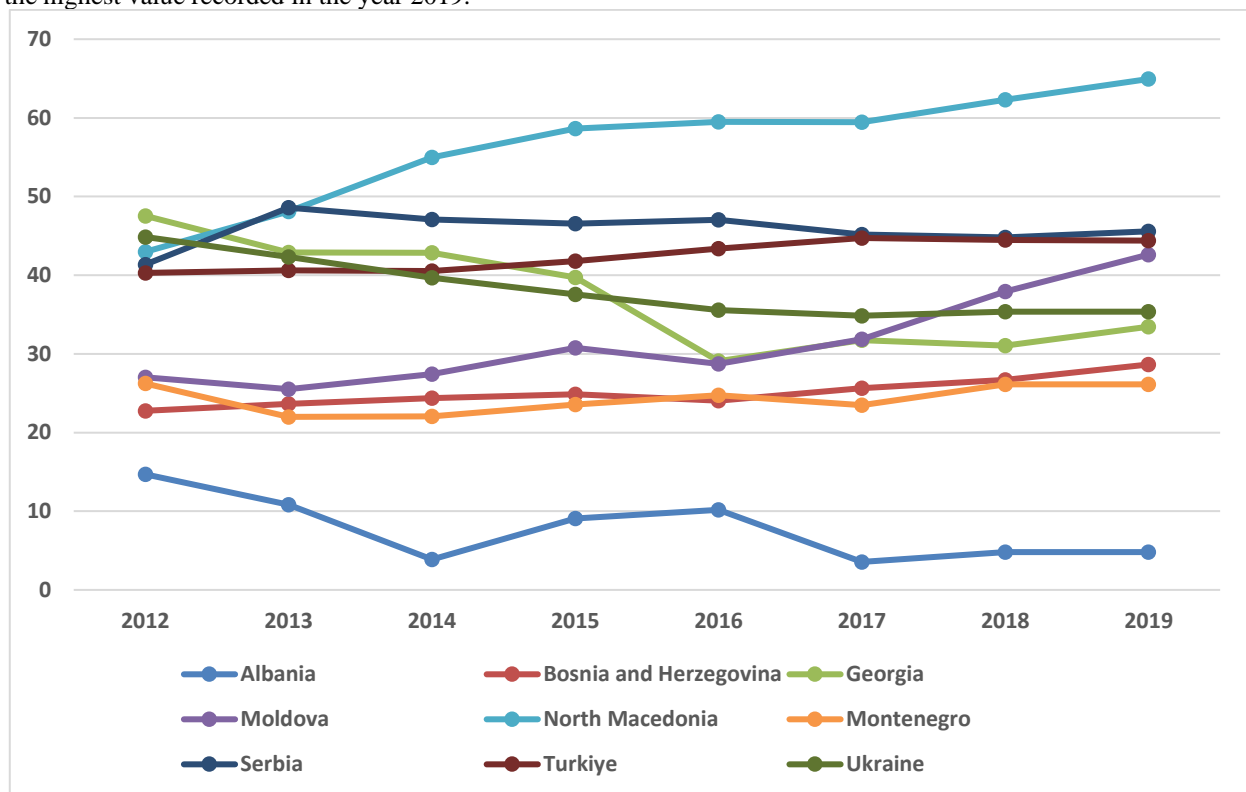


Figure nr. 5. Evolution of medium and high-tech exports (% manufactured exports) of EU candidate countries and Georgia, 2012-2019, %

Source: elaborated by the author based on the WB data from

<https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#>

Comparing the share of medium and high-tech (MHT) manufactured exports in total manufactured exports of EU candidate countries, including potential candidate country Georgia, it is to be noted that the country with the highest share of medium and high-tech exports is North Macedonia that registered an increase in the period of 2012 till 2019 from 43% till 65% overpassing the rest of the analysed countries by 20% and more. Turkiye and Serbia registered similar levels of shares of medium and high-tech manufactured exports of about 45% in 2019, while the first one registered an increase by 5% since 2012, Serbia registered a decline in the share of medium and high-tech exports since 2013 by about 5%. On the 4<sup>th</sup> place is situated Moldova with a share of 43% following an increase since 2012 by 3%. Ukraine and Georgia register similar levels in 2019 of 35% and 33% correspondingly, both countries facing decline of the shares since 2012 of 10% and 13% correspondingly.<sup>9</sup> Thus, from the three countries that have signed the Association Agreement with EU in 2014, in terms of share of medium and high-tech manufactured goods, only Moldova registered a positive evolution, while Georgia and Ukraine on the contrary registered a significant decline of this index. Bosnia and Herzegovina and Montenegro register similar levels of the share of medium and high-tech exports of around 29% and 26% correspondingly with the first one registering a slight increase since 2012 of 6%, and the second with fluctuations, declines and

<sup>8</sup> The World Bank: <https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#> (accessed on 1 December 2022)

<sup>9</sup> The World Bank: <https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#> (accessed on 5 December 2022)



growth with a share in 2019 similar to the one from 2012. On the last place from the perspective of the share of medium and high-tech manufactured exports in total exports is situated Albania with a declining index from 15% in 2012 till 5% in 2019, that is a sign of declining export competitiveness of Albania.

The increase of the share of medium and high-term exports of North Macedonia, Türkiye, Moldova represents positive trend in these countries, in which is registered an increase of modern, highly complex production structure that at the same time offer better opportunities for skills development and technological innovation in these countries. Thus, North Macedonia, Serbia, Türkiye and Moldova have a higher level of high value addition industries of manufacturing with higher technological intensity and labour productivity in comparison with the rest of candidate countries. In particular, in case of North Macedonia the increase of the share of MHT manufactured exports reflects the positive impact of innovation in the period 2012-2019 and qualitative shift in the structure of the economy.

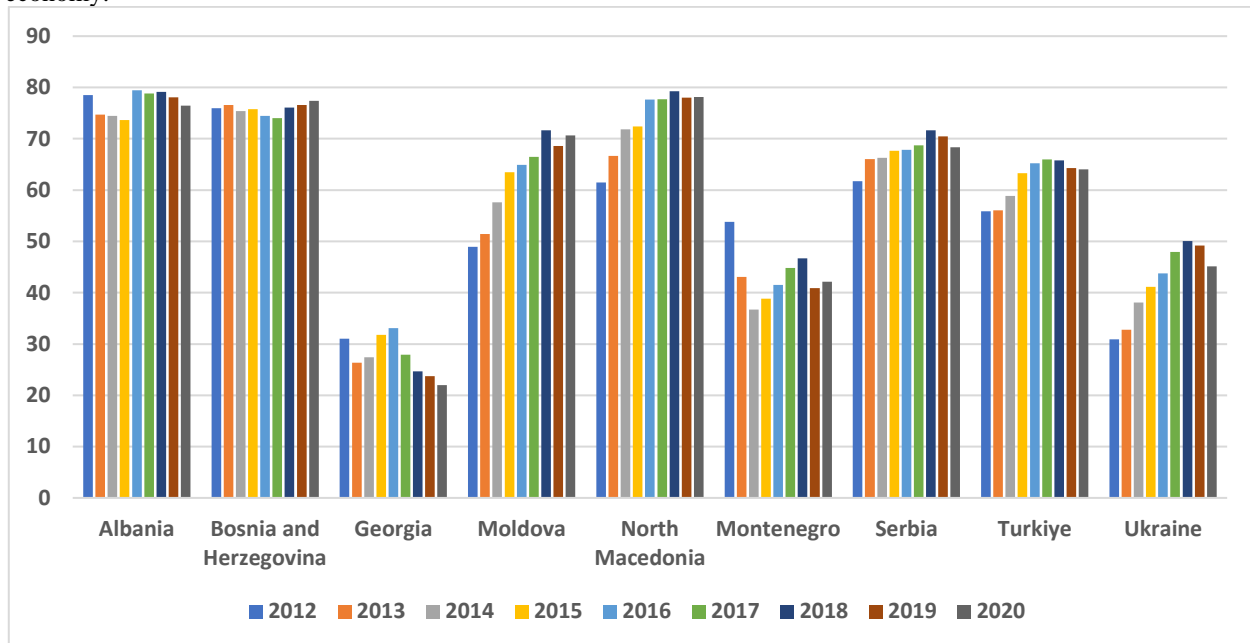


Figure nr. 6 EU candidate countries and Georgia's merchandise exports to high-income economies (% of total merchandise exports), 2012-2020, %

Source: elaborated by the author based on the WB data from

<https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#>

Considering the share of exports to high-income economies, the majority of EU candidate countries, six out of nine register a share higher than 60% in 2020. North Macedonia registered a share of 78%, being on the first place, Bosnia and Herzegovina – on the second place with 77%, Albania with 76% is on the third place, Moldova is on the fourth place with 71%, followed by Serbia with 68% - on the fifth place, and Türkiye with 64% is on the sixth place. While Ukraine, Montenegro and Georgia registered a share of exports to high-income economies in 2020 less than 50% with 45%, 42% and 22% correspondingly.<sup>10</sup>

Further will be analysed the main exporting partners of candidate countries. For North Macedonia, in 2021 the top 5 export destinations are: Germany – with a share of 45% and a positive trade balance, Bulgaria – with a share of 4,7% and a negative trade balance, Hungary – with a share of 4,2% and a negative trade balance, China – with 4% and a positive trade balance and Serbia – with 3,9% and a negative trade balance. Three of top 5 export destination countries are EU members with a share of exports of 54%. North Macedonia's ranking in world exports was 99 in 2021 and the average distance of importing countries is 1680 km and the export concentration is 0.22.

For Bosnia and Herzegovina in 2021 the top 5 export destinations are: Germany – with a share of 15% and a negative trade balance, Croatia – with a share of 13,1% and a negative trade balance, Area Nes – with a share of 12,9% and a negative trade balance, Italy – with a share of 11,3% and a negative trade balance, and Austria – and a share of 9% and a positive trade balance. Similarly, for Bosnia and Herzegovina, three of the top 5 export destination countries are EU members with a share of exports of 37%. Bosnia and Herzegovina was ranked in world exports 100 in 2021 and the average distance of importing countries is 879 km and the export concentration is 0.09.

Albania had in 2021 as main export destinations: Italy – with a share of 43,2% and a negative trade balance, Greece – with a share of 7,6% and a negative trade balance, Spain – with a share of 7,1% and a positive trade balance, Germany – with a share of 5,3% and a negative trade balance, and China – with a share of 5% and a negative trade balance. Four out of top 5 export destinations of Albania are EU member states representing a share of 63% of its exports. Albania's ranking in world exports was 125 in 2021. The average distance of importing countries is 1739 km and the export concentration is 0.21.

Republic of Moldova exported to the following top 5 destination countries in 2021: Romania – with a share of 26,5% and a positive trade balance, Türkiye – with a share of 10% and a negative trade balance, Russian Federation – with a share of 8,8% and a negative trade balance, Germany – with a share of 7,8% and a negative trade balance and Italy – with a share of 7,6% and a negative trade

<sup>10</sup> The World Bank: <https://databank.worldbank.org/indicator/NY.GDP.PCAP.CD/1ff4a498/Popular-Indicators#> (accessed on 8 December 2022)

balance. Three out of 5 top export partners of Moldova are EU member states with a total share of exports of 42,2%. Moldova's ranking in world exports was 129 in 2021 and the average distance of importing countries is 1245 km and the export concentration is 0.11.

Serbia registered as top 5 export destinations countries in 2021: Germany – with a share of 12,7% and a negative trade balance, Italy – with a share of 8,5% and a negative trade balance, Bosnia and Herzegovina – with a share of 7,2% and a positive trade balance, Romania – with a share of 5,5% and a positive trade balance and Hungary with a share of 5% and a negative trade balance. In case of Serbia 4 out of 5 top export destination countries are EU members with a total share of 31,7%. Serbia's ranking in world exports was 70 in 2021 and the average distance of importing countries is 1469 km and the export concentration is 0.05.

Türkiye exported to the following top 5 destination countries in 2021: Germany – with a share of 8,6% and a negative trade balance, United States of America – with a share of 6,5% and a positive trade balance, United Kingdom – with a share of 6,1% and a positive trade balance, Italy – with a share of 5,1% and a negative trade balance and Iraq – with a share of 4,9% and a positive trade balance. Two out of top 5 export destinations of Türkiye are EU member countries and their share is 13,7%. Türkiye's ranking in world exports was 30 in 2021 and the average distance of importing countries is 3157 km and the export concentration is 0.03.

Ukraine's top 5 export destination countries in 2021 were: China – with a share of 12,1% and a negative trade balance, Poland – with a share of 7,6% and a positive trade balance, Türkiye – with a share of 6,1% and a positive trade balance, Russian Federation – with a share of 5,1% and a negative trade balance, and Italy – with a share of 4,9% and a positive trade balance. Thus two out of 5 top export destinations of Ukraine in 2021 were EU member states with a share of 12,5%. Ukraine's ranking in world exports was 48 in 2021 and the average distance of importing countries is 3093 km and the export concentration is 0.04.

Montenegro exported to the following top 5 destination countries in 2021: Serbia – with a share of 29,9% and a negative trade balance, Switzerland – with a share of 11,6% and a negative trade balance, Bosnia and Herzegovina – with a share of 7,6% and a negative trade balance, Italy – with a share of 5,9% and a negative trade balance and Türkiye – with a share of 5,5% and a negative trade balance. Out of top 5 export destinations of Montenegro only one is an EU member state. In 2021 Montenegro's ranking in world exports was 169 and the average distance of importing countries was 1186 km and the export concentration equalled 0.13.

Georgia's top 5 export destination countries in 2021 were: China – with a share of 18,2% and a negative trade balance, Russian Federation – with a share of 17,2% and a negative trade balance, Türkiye – with a share of 9,4% and a negative trade balance, Bulgaria – with a share of 7,7% and a positive trade balance and Ukraine – with a share of 6,1% and a negative trade balance. There is only one EU member state in the top 5 export destinations of Georgia similar with Montenegro's situation. In 2021 Georgia's ranking in world exports was 126 and the average distance of importing countries was 3175 km and the export concentration was 0.09.<sup>11</sup>

Analysing the EU candidate countries from the Global Competitiveness perspective based on the data from World Economic Forum Global competitiveness Index, we can note the following: Albania experienced an annual average growth rate of 1.89% for the time period 2007 to 2017, reaching the world median of 4,18 only in 2017; Bosnia and Herzegovina registered a year-on-year average growth rate of 2.11% for the time period 2007 to 2017, but didn't manage to reach the world median, and in 2017 had an index of 3,87; Moldova witnessed a yearly average growth rate of 0.49% for the time period 2010 to 2017, also having an index below the world median of 3,99 in 2017; North Macedonia registered an annual average growth rate of 1.4% for the time period 2007 to 2016, and from 2013 the index was higher than the world median with the peak of 4,28 in 2015 and 4,23 in 2016; in case of Serbia it registered a yearly average growth rate of 0.93% for the time period 2007 to 2017, with an index of 4,14 in 2017, below the world median; Montenegro experienced a year-on-year average growth rate of 0.63% for the time period 2007 to 2017, with the index above the world median in the period 2008-2015, that has declined in 2016-2017 registering a value of 4,15 in 2017 below the world median; Türkiye registered a yearly average growth rate of 0.41% for the time period 2007 to 2017, always above the world median, with an index of 4,42 in 2017; Ukraine witnessed an annual average growth rate of 0.36% for the time period 2007 to 2017, with an index below the world median in 2017 equalling 4,11; in case of potential candidate country Georgia, it registered a yearly average growth rate of 1.12% for the time period 2007 to 2017, and from 2013 the index was above the world median, with a value in 2017 of 4,28.<sup>12</sup>

Thus, from EU candidate countries and potential candidate Georgia, only 4 out of nine analysed countries managed to reach or surpass the world median in 2017, Türkiye being the only country with a competitiveness index always above the world median.

### Conclusion

The analysed 8 EU candidate countries and potential candidate, Georgia, have different economic potential. As per GDP in current USD, Türkiye is the leading country, with a value in 2021 4 times bigger than the second in the row candidate country, Ukraine. On the third place would be situated Serbia with a GDP 13 times less than Türkiye's, followed by Bosnia and Herzegovina, Albania and Georgia, North Macedonia and Moldova with similar values, and on the last place is situated Montenegro as per 2021 data.

The ranking among the analysed countries, from the perspective of GDP per capita, PPP, will look slightly different in 2021: Türkiye will still maintain its leader position, but Montenegro will be second ranked, followed by Serbia, North Macedonia, Bosnia and Herzegovina and Georgia, Albania and Moldova with similar values, and Ukraine will be the last one. All countries registered an increase of GDP per capita in the period 2012-2021, except for the year 2020, while Serbia, Türkiye and Ukraine, additionally registered decline or stagnation in 2013-2014 (Serbia), 2019 (Türkiye), and 2014-2015 (Ukraine). The countries that registered the highest growth rates of GDP per capita were Moldova, in the period 2012- 2021 it doubled its GDP per capita, on the other extreme

<sup>11</sup> International Trade Centre data: <https://www.trademap.org/index.aspx> (accessed on 15 December 2022)

<sup>12</sup>

[https://tcdata360.worldbank.org/indicators/gci?country=ALB&indicator=631&countries=MKD,MDA,AZE,KSV,BIH,GEO,ARM,BLR,UKR,TKM,SRB,MNE,KAZ,UZB,TUR,KGZ,TJK,BGR,RUS,ROU,HRV,POL,HUN,LVA,SVK&viz=line\\_chart&years=2007,2017&compareBy=region](https://tcdata360.worldbank.org/indicators/gci?country=ALB&indicator=631&countries=MKD,MDA,AZE,KSV,BIH,GEO,ARM,BLR,UKR,TKM,SRB,MNE,KAZ,UZB,TUR,KGZ,TJK,BGR,RUS,ROU,HRV,POL,HUN,LVA,SVK&viz=line_chart&years=2007,2017&compareBy=region) (accessed on 21 December 2022)

is Ukraine that registered an increase of 47% of GDP per capita in a ten-year period, the other considered countries registered an increase of GDP in 2012-2021 varying between 50% and 70%.

On the other hand, the highest levels of inequality among individuals or households according to Gini index is registered in Türkiye (41.9), Montenegro (36.8), Georgia and Serbia (34.5), North Macedonia (33), Albania (30.8), and Moldova and Ukraine being on top with 26 (2019). Thus, Moldova and Ukraine perform best from the inequality perspective.

Türkiye is also ranked first according to the value of exports of goods and services in the year 2021, with more than 289 billion USD, followed by Ukraine with 81,5 billion USD, on the third place is situated Serbia – 34,4 billion USD, on the fourth place - Bosnia and Herzegovina (10 billion USD), followed by North Macedonia (9 billion USD), Georgia (8 billion USD), Albania (5,6 billion USD), Republic of Moldova (4,2 billion USD), and last Montenegro (2,5 billion USD). All analysed countries registered a decline of exports of goods and services in the year 2015, followed by a recovery in the period 2016-2019, the only two exceptions that continued to register decline in exports also in the year 2016 were Türkiye and Ukraine, and in 2020 Covid-19 pandemic negatively impacted the exports of all candidate countries.

From the point of view of the share of medium and high-tech (MHT) manufactured exports in total manufactured exports, the country with the highest share is North Macedonia that registered an increase in 2019 till 65% overpassing the rest of the analysed countries by 20% and more. Türkiye and Serbia registered similar levels of about 45% in 2019. On the 4<sup>th</sup> place is situated Moldova with a share of 43%, Ukraine and Georgia register similar levels in 2019 of 35% and 33% correspondingly. Bosnia and Herzegovina and Montenegro register similar levels of 29% and 26% correspondingly. On the last place from the perspective of the share of medium and high-tech manufactured exports is situated Albania with a declining index from 15% in 2012 till 5% in 2019, that is a sign of declining export competitiveness of Albania. The increase of the share of medium and high-term exports of North Macedonia, Türkiye, Moldova represents positive trend in these countries, in which is registered an increase of modern, highly complex production structure that at the same time offer better opportunities for skills development and technological innovation in these countries. In particular, in case of North Macedonia the increase of the share of MHT manufactured exports reflects the positive impact of innovation in the period 2012-2019 and qualitative shift in the structure of the economy.

Considering the share of exports to high-income economies, the majority of EU candidate countries, six out of nine register a share higher than 60% in 2020. North Macedonia registered a share of 78%, Bosnia and Herzegovina – 77%, Albania - 76%, Moldova - 71%, followed by Serbia with 68%, and Türkiye with 64% - on the sixth place. While Ukraine, Montenegro and Georgia registered a share of exports to high-income economies in 2020 less than 50%.

Analysing the top five export destinations of these countries, it should be noted that five out of these nine countries, have 3 or 4 out of top five export destination the EU countries. North Macedonia - three of top 5 export destination countries are EU members with a share of exports of 54%. North Macedonia's ranking in world exports was 99 in 2021 and the export concentration is 0.22. Similarly, for Bosnia and Herzegovina, three of the top 5 export destination countries are EU members with a share of exports of 37%. Bosnia and Herzegovina ranked in world exports 100 in 2021 and the export concentration is 0.09, lower in comparison with North Macedonia. Four out of top 5 export destinations of Albania are EU member states representing a share of 63% of its exports, even higher than the one of North Macedonia. Albania's ranking in world exports was 125 in 2021. The export concentration is 0.21. Three out of 5 top export partners of Moldova are EU member states with a total share of exports of 42,2%. Moldova's ranking in world exports was 129 in 2021 and the export concentration is 0.11, registering lower concentration in comparison with North Macedonia and Albania, but higher than Bosnia and Herzegovina. Serbia's 4 out 5 top export destination countries are EU members with a total share of 31,7%. Serbia's ranking in world exports was 70 in 2021 and the export concentration is 0.05. In case of Türkiye, two out of top 5 export destinations are EU member countries with a share of 13,7%. Türkiye's ranking in world exports was 30 in 2021 and the export concentration is 0.03, the lowest of analysed countries. For Ukraine - two out of 5 top export destinations in 2021 were EU member states with a share of 12,5%. Ukraine's ranking in world exports was 48 in 2021 and the export concentration is 0.04. With one EU member state in top 5 export destinations is Montenegro ranked in world exports on place 169 and the export concentration of 0.13. Similar for Georgia there is only one EU member state in the top 5 export destinations. In 2021 Georgia's ranking in world exports was 126 and the export concentration was 0.09.

From the point of view of global competitiveness index of EU candidate countries and potential candidate Georgia, only 4 out of nine analysed countries managed to reach or surpass the world median in 2017, Türkiye being the only country with a competitiveness index always above the world median.

Thus, there is a clear variation of different indicator among EU candidate countries and Georgia (potential candidate), with Türkiye and Ukraine being at higher levels for example in terms of GDP or gross value added or value of exports of goods and services, while analysing the relative indicators, such as GDP per capita, PPP, the variation will be as significant, while Türkiye will still maintain its leading position, followed by Montenegro, Ukraine will be on the last place. At the same time, Moldova and Ukraine will be leaders in terms of registering the lowest levels of inequality among individuals or households. North Macedonia, Serbia, Türkiye and Moldova have a higher level of high value addition industries of manufacturing with higher technological intensity and labour productivity in comparison with the rest of candidate countries. The increase of the share of MHT manufactured exports reflects the positive impact of innovation in the period 2012-2019 and qualitative shift in the structure of the economy of North Macedonia in particular.

EU enlargement process due to its complexity takes a relative long period of time, but at the same time it proved to be with a positive impact both for the acceding countries as well as for the whole union. Since the economies of candidate countries require further development and implementation of complex reforms this will come with associated high costs, in particular in the light of the war in Ukraine, the process will be even more complex and challenging, but at the same time EU provides a wide and comprehensive support to candidate countries to facilitate the reform process and meeting the accession requirements. At the same time, the economic costs that EU covers are definitely compensated by the aimed political stability and stronger democracy in the candidate countries that will not only be beneficial for these countries, but the whole region. Although it's a long, complicated and



complex journey towards accession, but the outcome will benefit all the players involved, the region and the whole democratic world.

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