

wiiw-oiip seminar series 'Europe in a Fragmented World:  
Geo-economic and Geo-political Dynamics'

## **Can (Accelerated) EU Enlargement Work?**

December 4<sup>th</sup>, 2025

Panellists: **Stefan Lehne** (Carnegie Europe), **Vedran Džihić** (oiip), **Michael Landesmann** (wiiw), **Branimir Jovanović** (wiiw) and **Olga Pindyuk** (wiiw)

NOVEMBER 2025

**Policy Notes and Reports 102****Another Round of EU Enlargement:****What are the economic and institutional must-haves for candidate countries to make accelerated enlargement possible?**

Michael Landesmann, Richard Grieveson, Ioannis Gutzianas,  
Branimir Jovanović and Olga Pindyuk



The Vienna Institute for International Economic Studies  
Wiener Institut für Internationale Wirtschaftsvergleiche

## Study for the European Commission (DG EcFin)

(ECFIN/2024/VLVP/0052)

**What are the economic and institutional ‘must haves’ for candidate countries to make accelerated enlargement possible?**

wiiw team:

Richard Grieveson, Ioannis Gutzianas, Branimir Jovanovic, Michael Landesmann, Olga Pindyuk

## The rationale for undertaking this study

*“... scenario under which there would be strong political pressure to admit new Member States much quicker than the current enlargement approach ...*

*... define minimum economic accession conditions which are considered essential to be fulfilled to ensure economic stability and prosperity in the newly acceded candidate country and prevent undue spillovers on others...*

*... economic accession criteria defined in Copenhagen in 1993 (i.e. a functioning market economy and the ability to withstand competitive pressures inside the EU), would be a natural reference and starting point.”*

**Minimum economic accession conditions to be guided by the following criteria:**

- **Relevance to provide macroeconomic stability for longer-term growth (and convergence),**
- **Potential spillover effects on existing member states,**
- **Implications for proper use of EU funding and mutually beneficial participation in EU programs**

Given these criteria the study focusses on the following **four areas**:

- **External accounts/competitiveness**: Export capacity, FDI and integration into international production networks, trade/current accounts, external debt and debt composition (by institutions, maturity structure); features of capital accounts (incl. role of remittances)
- **Fiscal situation**: evolution of fiscal deficits/surpluses, main characteristics of revenue and expenditure structure, public debt trajectory
- **Labour markets and social indicators**: Demographic developments, migration flows, impact of remittances; labour force, regional and distributional disparities
- **Institutional factors with focus on business environment**: relevant particularly for contract reliability, and appropriate use of EU funding and EU program participation; competition authority; banking sector and conditions for access to finance

Selection of these areas is based on our knowledge and **analysis of the experiences of previous accession countries** that these are crucial areas to meet the criteria above.

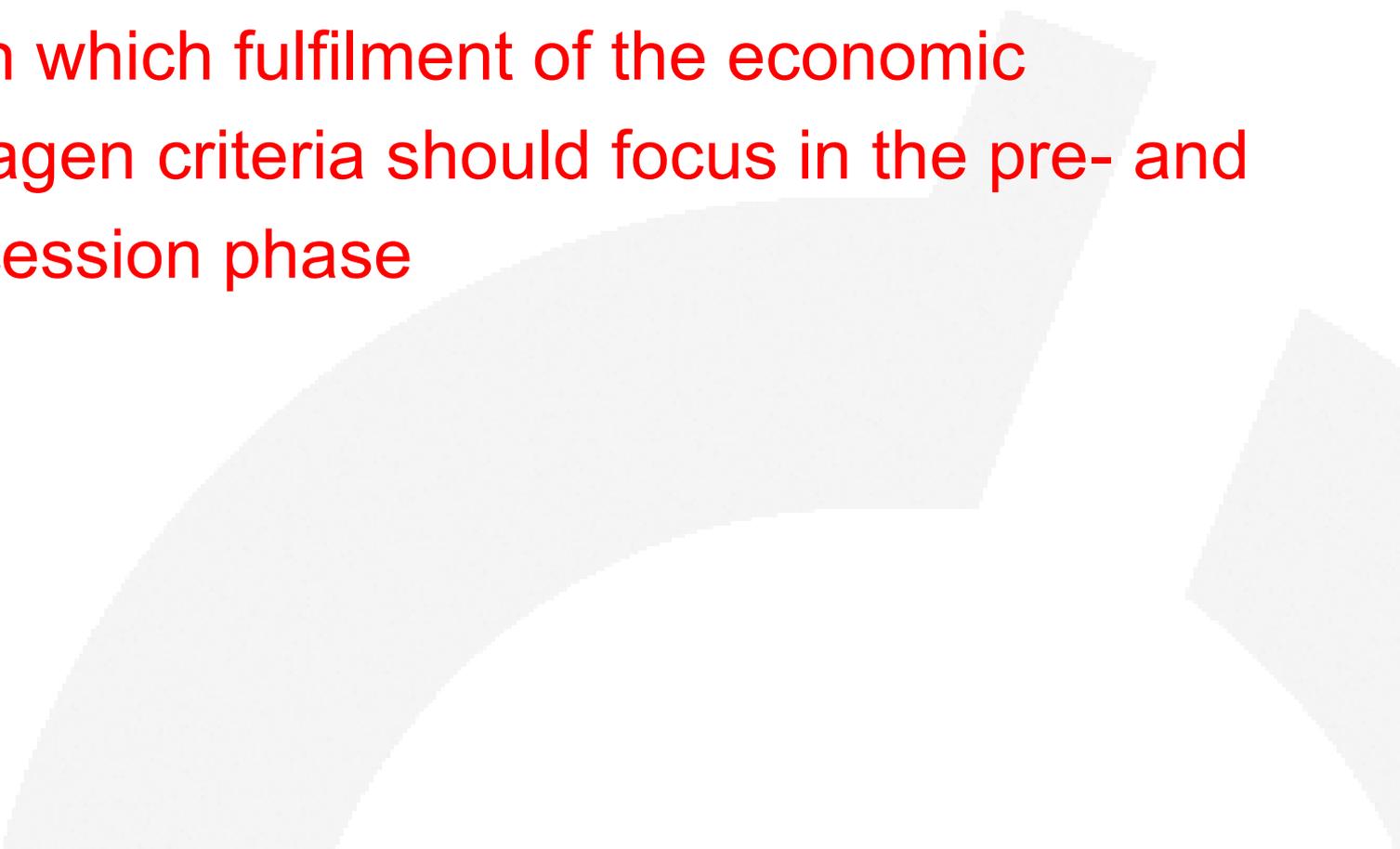
## Two points to be considered

- (i) The focus should not be on year-to-year developments but on the **longer-term trajectories** which allow a smooth process of economic development of the candidate countries. The monitoring should adopt a **forward-looking perspective** on the sustainability of longer-term trajectories in all the four domains depicted above.
- (ii) Emphasis should also be on the manifold **relationships between the four domains** depicted above. E.g. how demographic and labour supply conditions affect longer-term growth trajectories and how fiscal expenditure structures can affect these; how institutional conditions and effective regulatory structures support (or fail to support) business development (including FDI attractiveness, integration into GVCs, positive spillovers to domestic businesses; access to finance); or how social and regional inequality indicators might indicate the build-up of political tensions which in turn impact on economic stability.

## Content of the study

- Experiences of previous accession countries (special focus on Bulgaria, Romania and Croatia): how they fared in the phase prior to accession and post-accession in relation to these four areas.
- Current state and development trends of the set of current candidate countries; specific case studies of Montenegro, Serbia and Ukraine.
- Focus on the minimum conditions to be satisfied (pre- and post-accession) in case of an accelerated process of accession

**Areas on which fulfilment of the economic  
Copenhagen criteria should focus in the pre- and  
post-accession phase**



## Areas on which fulfilment of the economic Copenhagen criteria should focus in the pre- and post-accession phase - **External accounts and competitiveness**

	Pre-accession	Post-accession
<b>External accounts and competitiveness</b>	<p>Attention to expansion and structure of <b>export sector</b>: institutional environment to attract <b>FDI and facilitate cross-border production linkages</b>; check ownership concentration in key sectors; put in place <b>effective competition policy</b>; infrastructural and logistics support.</p> <p>Reduce <b>danger of real exchange rate misalignment</b>: aim for balanced wage–productivity developments (wage bargaining/wage setting in public and private sectors); avoid premature pegging of the nominal exchange rate to the euro or EMU membership; financial market supervision to control undue build-up of household and corporate external debt.</p>	<p>Deepen integration with European and global production networks and support spill-over effects from FDI; avoid undue extreme specialisation, support upgrading and diversification.</p> <p>Financial system (external supports and domestic financial institutions) should support specifically the entire range of business activity in the tradeable sector.</p> <p>Well-functioning financial market supervision and regulation (to prevent household and corporate debt accumulation).</p> <p>Add elements of domestic industrial and innovation policies to escape middle income trap.</p> <p>Avoid undue long-term real exchange rate appreciation and bubbles that generate structural external imbalances and crises.</p>

## Areas on which fulfilment of the economic Copenhagen criteria should focus in the pre- and post-accession phase – **Fiscal situation**

	Pre-accession	Post-accession
<b>Fiscal situation and policy</b>	<p>Concentrate on long-term fiscal trajectories and sustainability of public debt</p> <p>Monitor the structure of public spending on key issues like education, healthcare, infrastructure (i.e. growth-enhancing components).</p> <p>Revenue side: widen tax base, support growth-encouraging structure of tax rates and streamline subsidies.</p> <p>Check use of pre-accession EU support, whether it led to misuse, through corruption and oligarchic structures; transparency of procedures.</p>	<p>Continuously improve design of fiscal instruments to support business and competitiveness; avoid undue capture of tax and subsidy policy by oligarchic interests.</p> <p>Aim for a gradual reduction of the informal sector.</p> <p>Fiscal policy should not become addicted to EU money.</p> <p>Avoid becoming a tax haven.</p> <p>Pay attention to 'fair' taxation – to distributional implications.</p>

## Areas on which fulfilment of the economic Copenhagen criteria should focus in the pre- and post-accession phase - **Labour markets and social indicators**

	Pre-accession	Post-accession
<b>Labour markets and social indicators</b>	<p>Functioning labour market institutions, including social dialogue, adapted to local conditions; wage-setting mechanisms (public/private sector).</p> <p>Active labour market policies, targeting especially the young, women, minorities.</p> <p>Prepare incentives for return migration and policies.</p> <p>Support regional authorities to address regional labour market problems (both supply and demand side); interaction with regional policies.</p>	<p>Education policies consistent with diversification of economy (balanced development of vocational/tertiary education; support of future-oriented fields).</p> <p>Income-support policies to reduce poverty and inequality.</p> <p>Balanced wage and working conditions in the public vs. private sectors – both require well-qualified personnel.</p> <p>Develop incentive structures for return migration and circular migration – schemes in cooperation with private and public sector.</p> <p>Regional development policies, address regional inequalities/mismatches – monitor effective use of cohesion funds.</p>

## Areas on which fulfilment of the economic Copenhagen criteria should focus in the pre- and post-accession phase – **Institutional factors**

	<b>Pre-accession</b>	<b>Post-accession</b>
<b>Institutional factors/ business environment</b>	<p>Competition authority and policy.</p> <p>Functioning of the judiciary with respect to business.</p> <p>Capacity to absorb EU support effectively.</p> <p>Transparency of public procurement.</p> <p>Safeguards with respect to rent seeking.</p> <p>Anti-corruption policies – learn from best practices.+</p>	<p><i>Sustain all the efforts from pre-accession policies and programmes, plus:</i></p> <p>Social policies to address inequalities.</p> <p>Cooperation and Verification Mechanism, implemented in the case of Bulgaria and Romania, could be used for some of the current candidate countries.</p> <p>Technical support for weak institutions, especially local authorities.</p>

+ ) See e.g. SOAS Governance & Integrity Anti-Corruption Evidence (GI ACE) research programme

## Areas on which fulfilment of the economic Copenhagen criteria should focus in the pre- and post-accession phase - **Spill-over effects for existing EU members**

	Pre-accession	Post-accession
<b>Spill-over effects for existing EU members</b>	<p><b>Address pros and cons:</b></p> <p>Items that risk conflict with existing members in the pre-accession phase: <b>fear of the reallocation of EU funds</b>; fear of agricultural support and competitiveness of agriculture (particularly of Ukraine); <b>fear of further migration waves.</b></p> <p><b>Prospects for positive spill-overs:</b> energy, critical minerals, defence, extension of economic space, of EU's geopolitical weight.</p>	<p>Policies to support positive spill-overs:</p> <ul style="list-style-type: none"> <li>• Integrate energy system and support renewables</li> <li>• Support integration of markets, of cross-border infrastructure and logistics integration</li> <li>• Exploit the benefits of cross-border labour market and educational/training integration</li> <li>• Support benefits of cross-country labour mobility and counter the perceived costs (integration programmes, labour market matching, etc.)</li> </ul>

**Thank you for your attention**

