



ARTICLES

REINFORCING THE EU ENLARGEMENT POLICY TOWARDS WESTERN BALKANS: ACCESS TO THE SINGLE MARKET AS A CREDIBLE GOAL

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ABSTRACT: The promised European future for the Western Balkans still seems to be distant and uncertain, in spite of the many geo-strategic, political, economic and security arguments in favour of completing the process of unification. On the one side, the European integration process through economic and political reforms should lead these countries to become EU members and set high expectations of what the prospects of membership should deliver in the region. On the other hand, the countries are still far from ready for membership while the EU political commitment is not accompanied by more tangible action which questions the credibility of enlargement policy. Over the recent years, there is a growing need for a renewed narrative to revive and sustain the incentives for the states of the Western Balkans to continue their European integration journey and overcome an apparent impasse over accession prospects. The main argument of this *Article* is whether the EU accession process with regard to the Western Balkans can be reinforced in a manner of a merit-based process that offers a credible goal by granting access to the EU single market as an interim accession goal that inspires real change, while reducing the sense that further EU enlargement is risky endeavour. In order to provide a relevant conclusion, the *Article* reviews the economic effects of previous rounds of enlargements and the relevant instruments employed towards the Western Balkans, to examine the plausible limitations and prospects.

KEYWORDS: enlargement policy – Western Balkans – EU credibility – single market – economic integration – Europeanisation.

I. INTRODUCTION

EU enlargement policy means completing the idea of a united Europe whereby Western Balkans is its indispensable part and this link goes beyond geographic proximity. At the

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Thessaloniki Summit in June 2003, EU leaders declared the unambiguous support for the European perspective of the Western Balkans states, stating that “the future of the Balkans is in the European Union”,¹ while the term “European perspective” meant membership and full inclusion in the EU institutional and political structure.² The promised European perspective became a reality only with regard to Croatia as the last country to join the EU in 2013 – one decade after it applied in 2003, more concretely it became an official candidate one year later in 2004, then started the accession negotiations another year later in 2005 and concluded six years later in 2011. In 2014, the EU path for the Western Balkans faced a major turning point when the EU enlargement stalemate was openly declared by the European Commission,³ as one of many signals and indications of reduced credibility of the promise in the EU’s conditionality.

On the other side, North Macedonia applied for accession in 2004 and became an official candidate within one year in 2005, but 17 years later it has not yet opened the accession negotiations although there is an official decision in that regard by the Council of the EU,⁴ endorsed by the European Council in March 2020. Albania which has been a candidate country since 2014 is also covered by this decision that has yet to be operationalized. Among the countries that have already opened accession negotiations, Montenegro has already been negotiating for more than nine years as it started in June 2012, that is four years after the accession application from 2008 (already longer than Croatia), while Serbia applied for accession in 2009 and started five years later, in 2014. In the case of Montenegro, by June 2020 all 33 screened chapters have been opened, three of which are provisionally closed. With regard to Serbia as of October 2020, 18 out of 35 chapters have been opened, two of which are provisionally closed. Kosovo and Bosnia and Herzegovina are still considered as potential candidate countries.

Hence, it was no surprise that the Commission’s 2021 Enlargement Package⁵ stressed the issue with the EU credibility, although the Enlargement Methodology revised in 2020 aimed at further strengthening the accession process by making it more credible in the first place, as well as more predictable, more dynamic and subject to stronger political steering.⁶ On the contrary, the accession process is not delivering and the EU transformative power as a basis for its role as a global actor is fading. Along with the well-known attitude that

¹ European Council Presidency Conclusions of 19 and 20 June 2003.

² Communication COM(2003) 285 final from the Commission of 21 May 2003 on The Western Balkans and European Integration.

³ European Commission, *Press Release – The Juncker Commission: A Strong and Experienced Team Standing for Change (Press Release)* ec.europa.eu.

⁴ Council of the European Union, General Affairs Council Conclusions of 25 March 2020 on Enlargement and Stabilisation and Association Process – Albania and the Republic of North Macedonia.

⁵ Communication COM(2021) 644 final from the Commission of 19 October 2021 on EU Enlargement Policy.

⁶ Communication COM(2020) 57 final from the Commission of 5 February 2020 on Enhancing the Accession Process – A Credible EU Perspective for the Western Balkans.

further enlargement to the Balkans seems to be an undesirable development for a large part of EU citizens, the reputation and attractiveness of the EU in the Western Balkans has suffered as well. According to the Balkan Barometer results, 56 per cent in 2018 and 59 per cent in 2019 are endorsing accession while in 2021 a subtle increase is noted with 62 per cent, but every year, the EU integration expectations in the Western Balkans dissipate notably, with only one-fourth of respondents remaining optimistic about the EU accession by 2025.⁷ For the Western Balkans' citizens, EU membership is still perceived as embodiment of European values and principles of democracy and rule of law, but the economic prosperity remains the most important association with the EU membership that exceeds the improved democratic standard as desired benefit.⁸ The Copenhagen criteria, also known as accession criteria, contain both political and economic conditions that should be fulfilled in order to obtain EU membership and there is clear linkage between both. Democracy and the rule of law cannot make lasting inroads into the enduring poverty in the Western Balkans, thus the EU must offer a realistic plan to tackle the lack of economic growth and social progress in the region in the context of the Europeanisation process.⁹ Estimation by the World Bank indicates that at current growth rates, it would take about six decades for average per capita Western Balkan income to converge with the EU average.¹⁰

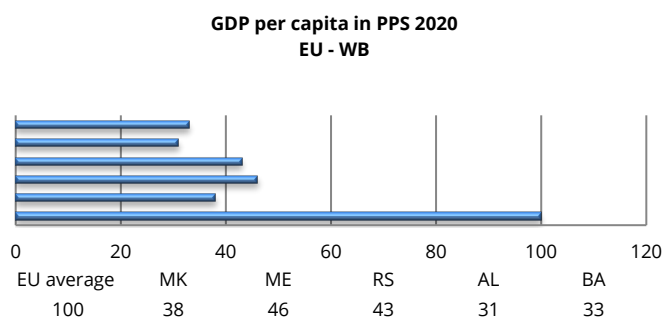


FIGURE 1. GDP per capita in Purchasing Power Standard (PPS) 2020, WB countries compared to EU = 100. Source: Eurostat¹¹ (Data for Kosovo N/A).

⁷ Regional Cooperation Council, *Balkan Barometer 2021 Public Opinion Analytical Report* rcc.int 44.

⁸ *Ibid.* 45-46.

⁹ M Bonomi and D Reljić, 'The EU and the Western Balkans: So Near and Yet So Far – Why the Region Needs Fast-Track Socio-Economic Convergence with the EU' (SWP Comments 53/2017) 1.

¹⁰ *Ibid.* 3.

¹¹ The volume index of GDP per capita in PPS is expressed in relation to the European Union average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa.

The latest available data for 2020 showed that Western Balkans countries ranged between 31 per cent (in Albania) to 46 per cent (in Montenegro) of the average level of GDP per capita at PPS in the EU that is much lower compared to the range of the three countries that last joined the EU which is from 55 per cent (in Bulgaria), 64 per cent Croatia and 72 per cent in Romania. The level of real convergence of the Western Balkans in 2020 is only comparable to the convergence of Bulgaria and Romania after the entrance in the EU (35 per cent for Romania and 37 per cent for Bulgaria) in 2005.¹² Afterwards, both countries intensified their real convergence to the EU average, which is in line with the arguments that the EU entrance provides additional support to the growth and convergence, considering the benefits of the economic union as well as positive perceptions of the investors about the countries' prospects.¹³ In October 2020, the European Commission adopted a comprehensive Economic and Investment Plan for the Western Balkans that also offers a path for a successful regional economic integration to help accelerate convergence with the EU and close the development gap between our regions, ultimately speeding up the process of EU integration.¹⁴ This instrument is a recognition by the EU that it needs to do more than use political conditionality if it is to maintain traction with the Western Balkan enlargement process and can foster the single market demand for strong economies.

The single market project is at the heart of the European project, which according to the neofunctionalists created pressure for integration in other areas (*spillover* effect) so that this complex process imposed the deepening of the degree and scope of integration that goes beyond the economic and even political union. The concept of a "common market" of 1958 was central in the Treaty of Rome,¹⁵ which founded the European Economic Community (EEC) whereby art. 3 agreed: *i*) the elimination, as between Member States, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect; *ii*) the establishment of a common customs tariff and of a common commercial policy towards third countries; *iii*) the abolition, as between member states, of obstacles to freedom of movement for persons, services and capital. However, the freedom of trade in goods and services and the freedom of establishment were still limited due to continuing anti-competitive practices that led the EEC to consider a more thorough approach to the objective of removing trade barriers: the internal market, defined

¹² A Krstevska, 'Real Convergence of Western Balkan Countries to European Union in view of Macroeconomic Policy Mix' (2018) *Journal of Central Banking Theory and Practice* 187, 190.

¹³ A Krstevska, 'Real Convergence of Western Balkan Countries to European Union in view of Macroeconomic Policy Mix' cit. *ibid*.

¹⁴ European Commission, *Western Balkans: An Economic and Investment Plan to Support the Economic Recovery and Convergence (Press Release)* ec.europa.eu.

¹⁵ The common market, the Treaty of Rome's main objective, was achieved through the 1968 customs union, the abolition of quotas, the free movement of citizens and workers, and a degree of tax harmonisation with the general introduction of value-added tax (VAT) in 1970. However, the freedom of trade in goods and services and the freedom of establishment were still limited due to continuing anti-competitive practices imposed by public authorities.

by the Single European Act of 1986 as “an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured”.

Along with this, one of the most significant contributions of the still ongoing single market project to the European integration may, in the long term, be that it jolted the Community out of the Euro-pessimism of the 1970s and early 1980s.¹⁶ It is without prejudice that the EU was explicitly established not just to be a community based on the common interests of its Member States, but also a community of values, reflected in the way in which integration progresses.¹⁷ However, it was the creation of market legislation that imposed some non-market values¹⁸ that are today contained in art. 2 TEU, or in the words of the 1950 Schuman Declaration – the economic integration of the Member States would then lead to their mutual solidarity. This way, the market has not only strongly contributed to increasing living standards in the EU, but it has also become a key pillar of tangible EU integration. The level of market integration has evolved significantly over time and EU is still committed on deepening the EU single market and reaching its full potential.¹⁹ Both in the EU²⁰ and in the Western Balkans,²¹ free movement is perceived as the main EU achievement and membership benefit.

Given this context, the main argument of this *Article* is whether the EU accession process with regard to the Western Balkans can be reinforced in a manner of a merit-based process by granting access to the EU single market as an interim accession goal that inspires real change, while reducing the sense that further EU enlargement is risky endeavor. In order to produce a relevant conclusion, first, the process of market integration within the previous rounds of enlargement will be reviewed in order to assess the effects. Second, the *Article* proceeds with analyses on the economic integration between the EU and the Western Balkans in the framework of the existing instruments. The third part will explore the proposal for reinforcing the EU Enlargement policy through single market access as a credible goal, perspectives of this concept and expected outcomes.

II. EXPANDING THE SINGLE MARKET WITH(OUT) THE EU ENLARGEMENT

Single market is the cornerstone of the economic interest of enlargement and this issue has been reflected in the accession process. The establishment of the single market gave the EU an important tool to align third countries to its rules and values, often through

¹⁶ P Craig and G de Búrca, *EU Law: Text, Cases and Materials* (5th edition OUP 2011) 609.

¹⁷ C Closa, D Kochenov and JH Weiler, ‘Reinforcing Rule of Law Oversight in the European Union’ (EUI Working Paper RSCAS 2014/25) 2.

¹⁸ B de Witte, ‘Non-Market Values in Internal Market Legislation’ in NN Shuibhne (ed), *Regulating the Internal Market* (Edward Elgar Publishing 2006) 61, 75.

¹⁹ European Council Conclusions of 21-22 March 2019.

²⁰ European Commission, *Spring 2019 Standard Eurobarometer: Europeans Upbeat About the State of the European Union – Best Results in 5 Years* (Press Release) ec.europa.eu.

²¹ BiEPAG, *Public Opinion Poll in the Western Balkans on the EU Integration* (8 November 2021) biepag.eu.

conditionality in exchange for market access.²² Externalization of the internal market was declared at the Hannover European Council in June 1988 when it was decided that “the internal market should not close in on itself” but “be open to third countries” and “seek to preserve the balance of advantages accorded, while respecting the unity and the identity of the internal market”.²³ Through the European Economic Agreement (EEA) and increasingly through the European neighbourhood policy the rules and standards of the single market stretch beyond the borders of the EU.²⁴ The export of internal market norms has become most extensive in the enlargement process whereby for many candidate countries (partial) participation in the single market was considered a reward for reforms and an intermediate step in the preparation for full membership.

II.1. EEA CONTRIBUTION

Close economic integration without decision-making powers as the second best to membership itself, has already been promoted within the EEA signed on 2 May 1992.²⁵ The aim of the EEA Agreement, as laid down in art.1, is to: “promote a continuous and balanced strengthening of trade and economic relations between the Contracting Parties with equal conditions of competition, and the respect of the same rules, with a view to creating a homogeneous European Economic Area”.

Basically, the EEA accession of the candidates was just a matter of extending the internal market, having in mind that it comprises the establishment of an internal market between the EU Member States and three countries of the European Free Trade Association (EFTA) – Iceland, Liechtenstein and Norway, excluding Switzerland. The acceding countries have to apply to become members of the EEA arrangement which nevertheless means that everything that has been agreed with the candidates during the negotiations will concern the three EEA-EFTA states as well, as far as EEA related matters are concerned.²⁶ The EEA Agreement entails the elimination of (mainly technical) barriers for the free movement of goods, services, capital and persons that constitutes the “four freedoms” through which the single market is extended. In addition to rules concerning the so-called four freedoms, the Agreement entails application of competition rules and also covers so-called “flanking and horizontal policies”, with the intention of strengthening the internal market. These additional fields of cooperation include social policy, consumer protection, environment, education, research and development, statistics, tourism, small

²² F Schimmelfennig and U Sedelmeier, ‘Governance by Conditionality: EU Rule Transfer to the Candidate Countries of Central and Eastern Europe’ (2004) *Journal of European Public Policy* 661.

²³ European Council Conclusions of the Presidency of the Hannover European Council of 27-28 June 1988.

²⁴ Communication COM(2007) 60 final from the Commission of 21 February 2007 on A Single Market for Citizens – Interim report to the 2007 Spring European Council.

²⁵ European Parliament, *Briefing n. 32 on The European Economic Area (EEA) and the Enlargement of the European Union* europarl.europa.eu.

²⁶ *Ibid.*

and medium-sized enterprises, culture, information, and audio-visual services. Cooperation between the European Community and the EEA-EFTA states outside the four freedoms is covered by Protocol 31 of the EEA Agreement.

Generally speaking, the provisions of the EEA Agreement constitute a re-transcription of those concerning the four freedoms as laid down in the EU founding treaties and one of the special features of the EEA Agreement is that it is continuously updated by adding new EU legislation.²⁷ The institutional framework under the EEA also resembles the EU structure, consisting of EEA Joint Committee which is the body responsible for the day-to-day management, made up of ambassadors of the EEA-EFTA states and representatives of the EU Member States and the European Commission; EEA Council as the highest political body, which consists of ministers from each of the participating states as well as representatives of the Commission, whose meetings take place at least twice a year and decisions are taken by consensus; EEA Joint Parliamentary Committee (JPC), comprising Members of the European Parliament (MPs) as well as MPs from the EEA-EFTA states, provides democratic supervision and power to pass formal resolutions on EEA matter; while the judicial control with regard to the implementation, application and interpretation of the EEA rules as well as dispute settlement is provided by the Court of Justice of the EU together with EFTA Surveillance Authority and the EFTA Court which carry out the surveillance and enforcement on the EFTA side.²⁸ The principles of primacy and direct effect of EEA law apply and in order to secure a uniform interpretation of EEA rules, the EEA Joint Committee reviews the development of the case law of the European Court of Justice and the EFTA Court. In terms of institutionalization, the EEA offers the closest internal market association as a far-reaching association agreement which extends the internal market and the *acquis communautaire* to the EFTA countries.²⁹ Therefore, the EEA represents a comprehensive “policy integration” into the internal market but with limited participation in the decision-making process in a way that the EEA legislation mirrors the *acquis* but EEA-EFTA side lacks a real right of co-decision.

To explain the context of EEA, it is worth mentioning that the ability of the EU to enlarge and the euro-scepticism were present also in the previous rounds of enlargement. On 14 July 1989, Austria submitted its application for accession, which was followed by Sweden on 1 July 1991 and then Finland on 18 March 1992. However, because of the focus on deepening European integration, and in the hope of completing the single market on time, the

²⁷ *Ibid.*

²⁸ This two-pillar system of surveillance and judicial control was endorsed by the CJEU in Opinion 1/92 *EFTA Agreement* ECLI:EU:C:1992:189. It was later reaffirmed in the judgment of the General Court of the European Union in the *Opel Austria* case. See case T-115/94 *Opel Austria GmbH v Council of the European Union* ECLI:EU:T:1997:3 para. 108.

²⁹ S Gstöhl, ‘Political Dimensions of an Externalisation of the EU’s Internal Market’ (EU Diplomacy Papers 3/2007) 9.

European Community back then put widening on hold.³⁰ Instead, the (Delors) Commission proposed a new dimension to the relationship – EEA, which provided access to the single market but excluded involvement in any decision-making. Participating countries became members of the Single Market on 1 January 1994 while Austria, Finland and Sweden acceded to the EU a year later – on 1 January 1995, only 23 months after EU membership negotiations had started in February 1993. Only through the EEA membership such a quick accession to the EU was possible – the EEA process instigated the adoption of the *acquis communautaire* that covered: the free movement of goods, persons, capital and services; harmonised Community rules and standards on fair competition and taxation; common policies such as the Common Agricultural Policy, the Customs Union, and Development and Regional Policies; the Economic and Monetary Union; and the new Maastricht elements, the Common Foreign and Security Policy, Cooperation in the fields of Justice and Home Affairs, and Citizenship of the Union.³¹ The export of the broad and deep Union *acquis* was a condition of market access in the context of a fully reciprocal free trade agreement. By all this, the EU institutions on the other side were then adjusted so as to accommodate the three new Member States because adopting all the legislation, setting up all the institutions and implementing all the policies required for membership of the single market meant that the countries have already made the largest part of the reforms necessary to become an EU member. In the case of Sweden and Finland, the EEA Agreement and process leading up to it, was “a stepping-stone towards full membership of the EU”³² that “greatly facilitated and accelerated the process”.³³ In terms of Austria, the country had made it clear from the beginning of the EEA process that it was perceived not as an alternative to the EU membership but merely as a transitional arrangement.³⁴

However, one must take into consideration that European integration process in that period was mostly focused on the economic aspect and completing the single market on the one side, while on the other side the applicant countries were considered as “European States” in political terms. The EEA process was envisaged as an “easy” exercise between partners that knew each other from the many years of the cooperation and share the same basic economic and political systems.³⁵ As highly ambitious experiment in achieving a high level of economic integration without institutional integration, the EEA

³⁰ E Whitfield, ‘The 1995 Enlargement of the European Union: The Accession of Finland and Sweden’ (2015) European Parliamentary Research Service 16.

³¹ *Ibid.* 23.

³² See A Olander, ‘What We Learned From the EEA Negotiations’ in Marius Vahl (ed), *European Economic Area 1994-2009* (EFTA Commemorative Publication 2009) 30.

³³ See V Sundbäck, ‘The EEA Negotiations: Bumpy Road, Worth Travelling’ in Marius Vahl (ed), *European Economic Area 1994-2009* cit. 30.

³⁴ S Gstöhl, ‘EFTA and the European Economic Area or the Politics of Frustration’ (1994) *Cooperation and Conflict* 333, 353.

³⁵ A Michalski and H Wallace, *The European Community: The Challenge of Enlargement* (Royal Institute of International Affairs 1992).

was at one stage seen as a possible answer to the urgent questions the Union was facing concerning the structure and priorities of its relations, especially in the light of the emergent democracies of Central and Eastern Europe following the collapse of the Soviet Union.³⁶ Nevertheless, accession of Austria, Finland and Sweden proved that the level of economic integration within the EEA inevitably imposed a need for political integration since it is hard to decouple the economic from political integration and is important to adequately match the substance and institutional structure.³⁷

II.2. CEECs TRANSFORMATIVE EXPERIENCE

In the case of the EU accession of the Central and Eastern European states (CEECs), integration process also included transformation both politically and economically. Their economic and political state of play was not suitable and much diverse to allow direct transposition of the EEA concept. Hence, the EU recognized the need to provide an institutional set up while postponing full (economic) integration, introducing the Copenhagen criteria on the basis of which the enlargement policy on the concept of conditionality was established. The economic Copenhagen/accession criterion requires functioning market economy and capacity to cope with competition and market forces which, with regard to the CEECs, meant to transform the centrally planned economies into functioning market economies and capacity to compete with the European single market. In that context, three main areas of reforms have been identified, namely macroeconomic stabilisation, real adjustment at the microeconomic level and creation of an institutional framework.³⁸ The Europe Agreements were initiated in the early 1990s to provide a framework for the gradual economic (and political) integration of the CEECs aiming for full EU membership in the long run, thus the basic objective of these agreements was namely to give incentives for economic reforms in CEECs through reductions in trade barriers, co-operation in the economic, financial, technical and cultural fields, and as a forum for political dialogue.³⁹

	Europe Agreements signed	Interim/Free Trade Agreements into force	Europe Agreements came into force	Application	Opinion of the Commission	Start of Negotiations	Accession
HU	16.12.1991	01.03.1992	01.02.1994	31.03.1994	16.07.1997	30.03.1998	01.05.2004
PL	16.12.1991	01.03.1992	01.02.1994	05.04.1994	16.07.1997	30.03.1998	01.05.2004
CZ	04.10.1993	01.03.1992	01.02.1994	17.01.1996	16.07.1997	30.03.1998	01.05.2004

³⁶ M Cremona, 'External Relations and External Competence of the European Union' in P Craig and G de Búrca (eds), *The Evolution of EU Law* (2nd edition OUP 2011) 237.

³⁷ S Gstöhl, 'EFTA and the European Economic Area or the Politics of Frustration' cit. 360.

³⁸ H Siebert, *The New Economic Landscape in Europe* (Blackwell 1991).

³⁹ D Piazzolo, 'EU Integration of Transition Countries: Overlap of Requisites and the Remaining Tasks' (2000) *Intereconomics Review of European Economic Policy* 264, 267-268.

	Europe Agreements signed	Interim/Free Trade Agreements into force	Europe Agreements came into force	Application	Opinion of the Commission	Start of Negotiations	Accession
SI	01.06.1996	01.01.1997	01.02.1999	10.06.1995	16.07.1997	30.03.1998	01.05.2004
EE	12.06.1995	01.01.1995	01.02.1998	24.11.1995	16.07.1997	30.03.1998	01.05.2004
LV	12.06.1995	01.01.1995	01.02.1998	13.10.1995	13.10.1999	15.02.2000	01.05.2004
LT	12.06.1995	01.01.1995	01.02.1998	08.12.1995	13.10.1999	15.02.2000	01.05.2004
SK	04.10.1993	01.03.1992	01.02.1995	22.06.1996	13.10.1999	15.02.2000	01.05.2004
BG	01.02.1993	01.05.1993	01.02.1995	14.12.1995	13.10.1999	15.02.2000	01.01.2007
RO	08.03.1993	31.12.1993	01.02.1995	22.06.1995	13.10.1999	15.02.2000	01.01.2007

TABLE 1. Overview of the CEECs accession to the EU in relation with the instruments used. Source: Eurostat.

The Europe Agreements together with the Interim Agreements, signed in order to bridge the period for entering into force, are characterized by asymmetry with the CEECs reducing trade barriers more slowly than the EU.⁴⁰ The CEECs were allowed to keep tariffs for a restricted list of manufactured products from the EU when the Interim or Free Trade Agreements entered into force, but had to gradually reduce these tariffs according to a preset timetable and by January 2000, virtually all industrial exports from the EU to the CEECs were duty-free. The Agreements also contain specific arrangements for sensitive industries and established gradual liberalization for farm products, processed farm goods and fisheries for trade between the EU and the CEECs, with January 2002 scheduled as the date when all tariffs and quantitative restrictions have to be eliminated. The process of European economic integration was supported by the creation of Central European Free Trade Agreement (CEFTA) in 1993 to strengthen intra-regional trade ties, having in mind that whereas the EU and the individual CEECs reduced the bilateral trade barriers according to the Europe Agreements, tariffs among the Eastern European countries were not affected.⁴¹ However, accession to the internal market was a much more important issue than the elimination of bilateral trade tariffs and the introduction of common external tariffs as in a customs union.⁴²

⁴⁰ D Piazzolo, 'EU Integration of Transition Countries: Overlap of Requisites and the Remaining Tasks' cit. *ibid.*

⁴¹ D Piazzolo, 'EU Integration of Transition Countries: Overlap of Requisites and the Remaining Tasks' cit. *ibid.*

⁴² A Lejour, R de Mooij and R Nahuis, 'EU Enlargement: Economic Implications for Countries and Industries' in H Berger, T Moutos and H W Sinn (eds), *Managing EU Enlargement* (MIT Press 2004) 217-255.

The Europe Agreements were signed with the intention of full EU membership for the CEECs and their effects should be analyzed mainly in the context of the gradual consequences of full EU membership. Reorientation of the Europe Agreements from the aim of association to that of accession was achieved also with the Accession Partnerships that set out the single framework for each country, reaching all areas of the EC and EU *acquis*. There is no doubt that the horizontal provisions on the approximation of laws should be regarded as a core of the Europe Agreements, by the horizontal provision contained in the relevant chapters on approximation (*lex generalis*) and with the vertical rules scattered in the various provisions of the agreements (*lex specialis*).⁴³ The EU basic freedoms as *acquis communautaire* items, especially the ones regulating “free and fair” competition within the Union have determined the model of CEECs’ economic development, assuming that CEECs can grow and develop through their transformation which means even without any traditional active trade or industrial policy.⁴⁴ Some elements of this “integrative model of CEEC development” were put into practice well ahead of EU accession. Trade liberalization and the prospect of EU accession, together with the geographical proximity of some of these candidate states to the present EU Member States,⁴⁵ have led to a considerable intensification of trade integration with the EU – imports from and exports to the EU on average account for around two-thirds of the candidate countries’ total imports and exports. The solemn imperative to guarantee the unobstructed freedom of movement of goods within the enlarging Union was not a great difficulty to the CEECs while negotiating the EU accession agreements and neither was it too much of a problem to safeguard the freedom of capital movements, while on the other side, it was far more difficult for the Member States to accept free movement of the CEEC nationals within the enlarged EU.⁴⁶ To address these concerns, the EU introduced preventive and remedial mechanisms in a form of safeguard clauses which empower the Commission to sanction non-compliance and lack of sufficient progress that could cause a serious breach to the functioning of the internal market.⁴⁷ In addition, the existence of transitional arrangements with regard to the free movement of workers in both the 2003 and 2005 Treaties

⁴³ A Lazowski, ‘Approximation of Laws’ in A Ott and K Inglis (eds), *Handbook on Europe Enlargement: A Commentary on the Process of Enlargement* (TMC Asser Press 2002) 631-638.

⁴⁴ L Podkaminer, ‘Development Patterns of Central and East European Countries (in the course of transition and following EU accession)’ (Vienna Institute for International Economic Studies Research Reports 388/2013) 26-27.

⁴⁵ Speech by Prof H Remspenger, ‘Enlargement of the European Union and European and Monetary Union: Maastricht meets Copenhagen’ (2001) Bank for International Settlements bis.org.

⁴⁶ L Podkaminer, ‘Development Patterns of Central and East European Countries’ cit. 26-27.

⁴⁷ Art. 38 of the Treaty between the Member States of the European Union and the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia, the Slovak Republic, concerning the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic

of Accession along with the last one from 2012, meant that in the area of free movement the accession became a process staged over a number of phases.

	1999	2007	Change 1999-2007	2009	2011	2013	2015	2017	2019	2020
Estonia	42	68	26	65	72	77	77	80	84	86
Lithuania	39	60	21	57	67	74	75	79	83	87
Latvia	36	55	19	53	58	63	65	67	69	72
Slovakia	51	67	16	72	76	78	78	71	70	71
Romania	26	42	16	52	52	55	57	64	69	72
Czech Rep.	70	80	10	87	84	86	89	91	92	94
Bulgaria	27	37	10	44	46	46	48	50	53	55
Hungary	53	63	10	65	67	68	70	69	73	74
Slovenia	81	89	8	86	84	83	83	86	89	89
Poland	49	53	4	60	66	67	69	70	73	76

TABLE 2. Real GDP per capita in PPS and current account changes with regard to CEECs. Source: Eurostat.

Rank in Ease of Doing Business (World Bank)	2006	44,4
	2009	42,8
Index of Economic Freedom (Heritage Foundation)	1999	60,6
	2008	66,9
Corruption Perception Index (Transparency International)	1999	4,3
	2007	5,0

TABLE 3. Quality of institutions in CEECs.⁴⁸

of Poland, the Republic of Slovenia and the Slovak Republic to the European Union [2003]; art. 37 of the Treaty between the Member States of the European Union and the Republic of Bulgaria and Romania, concerning the accession of the Republic of Bulgaria and Romania to the European Union [2005].

⁴⁸ See F Keereman, S Steinlein and IP Székely, 'Five Years of an Enlarged EU. Macro-Financial Stability' (Conference EU Enlargement – 5 Years After, Prague, 2 March, 2009) as cited in M Piatkowski, 'The Coming Golden Age of New Europe' (Central Europe Policy Analysis Report 26/2009). Note: Ease of Doing Business: the lower, the more favorable. Index of Economic Freedom (from 0 to 100): the higher, the better; Corruption Perception Index (between 0 and 10): the higher, the less corruption.

The presented data suggest that growth and living standards among new members have undoubtedly increased, although this achievement is not equally sustainable everywhere. These trends occurred in the pre-accession period in the framework of the economic transition and integration towards the single market and achieved significant convergence that further increased after accession. Moreover, the process of economic integration to the EU contributed to increasing the quality of institutions which indicates a linkage between the economic and political criteria and proves the transformative power of the EU in the accession process (Table 3). On the other side, the effects of the enlargement on the single market were overall positive – the Commission study reviewed the economic dimension of the 2004 enlargement, concluding that the enlarged internal market has become, despite the increased economic divergence among its current members, more integrated and dynamic.⁴⁹ In particular, the accession of the CEECs has increased the potential benefits of the internal market, by increasing the pool of consumers but providing the companies with additional opportunities to draw on the wider range of comparative advantages that characterize the different Member States. Many old EU member countries made use of the possibility to delay the free movement of labour from the new member countries, at least for a transition period, but others have benefited from a large inflow of labour from new member countries.⁵⁰ The transitional arrangements resulted from political rather than market mechanisms and empirical analyses claim that they proved to be not optimal choices, having in mind that lifting would yield even higher gains in terms of aggregate output when compared to a prolongation due to disproportional “loss” of skilled workers.⁵¹ Hence, enlargement contributes to a more dynamic and efficient internal market leading to a stronger European economy that is better equipped to face the increasing global competition. Strength of the EU single market has been proved in combatting the COVID-19 crisis. In its resolution of 17 April 2020, the European Parliament stressed that the single market, as the source of European prosperity and well-being, is best positioned to deliver a response to the coronavirus outbreak,⁵² while this position was later endorsed in experts' assessments.⁵³ Single market integration is the benefit of the enlargement that is most praised and least disputed, despite the developments that impose concerns with regard to the European values crisis.

⁴⁹ European Commission-Directorate General for Economic and Financial Affairs and the Bureau of European Policy Advisers, 'Enlargement, Two Years After: An Economic Evaluation' (Occasional Paper 24/2006).

⁵⁰ JM Arnold and others, 'Structural Reforms and the Benefits of the Enlarged EU Internal Market: Much Achieved and Much to Do' (OECD Economics Department Working Papers 694/2009) 11.

⁵¹ See A Fihel and others, 'Free Movement of Workers and Transitional Arrangements: Lessons from the 2004 and 2007 Enlargements' (University of Warsaw Centre of Migration Research 2015).

⁵² European Parliament resolution 2020/2616(RSP) of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences.

⁵³ G Grevi, 'Europe's Path to Strategic Recovery: Brace, Empower and Engage' (EPC Discussion Paper 2020); J Bjerkem, 'Europe's Hidden Weapon in Combatting COVID-19: The Single Market' (30 April 2020) European Policy Centre epc.eu.

III. WB-EU ECONOMIC INTEGRATION AND (LIMITED) ACCESS TO THE SINGLE MARKET

One of the main reasons behind the prosperity gap of the Western Balkans lies in the failure of these countries over the years to be competitive, meaning they lack the appropriate factors and institutions needed for high levels of long-term productivity.⁵⁴ The Stabilisation and Association Process (SAP) launched by the EU with the aim of eventual EU membership, seeks to address the broad issue of the European integration of the Western Balkans and, within this framework, to tackle the weaknesses in economic regimes. The process, committing a less developed partner to upgrading its institutions to European standards and governance on the basis of certain incentives, serves as both an anchor making the reforms more credible and a guide to institutional reforms.⁵⁵ Based on strong political conditionality, the SAP offers trade liberalisation, financial assistance and new contractual relations in the form of Stabilisation and Association Agreements (SAAs), an extensive part of which relate to internal market issues.⁵⁶ Among the Western Balkans countries, only Croatia confirmed the credibility of EU's Stabilisation and Association Process and that EU membership can be achieved by following the enlargement template. The paper proceeds with analysis on the SAP prospects and limits, in order to spur better economic convergence performance and overcome the impasse.

III.1. SAP AS A (NEW) FRAME OF ENLARGEMENT

SAAs as the main instruments of SAP process, are designed to be an incentive to accelerate the restructuring of the states' economies and to adjust to new market conditions, while at the same time this will provide the opportunity to accelerate social and economic development, as well as to establish and maintain permanent political and economic relations with all EU Member States. In addition, various EU-funded programs of bilateral assistance tied to the progress in convergence of respective countries economic regimes to EU institutions and policies provide an extra incentive to implement structural reforms. One of the most prominent dimensions is the creation of the free-trade area and harmonisation of legislation in areas essential for functioning of the free-trade area and for future participation in the EU internal market. Nevertheless, by naming these agreements differently from those with Central-European countries the EU reaffirmed that the SAAs do not necessarily lead to membership, as was the case with the Europe Agreements.

⁵⁴ P Sanfey, J Milatovic and A Kresic, 'How the Western Balkans Can Catch Up' (European Banks for Reconstruction and Development Working Paper 185/2016).

⁵⁵ B Kaminski and M Rocha, 'Stabilisation and Association Process in the Balkans: Integration Options and Their Assessment' (Policy Research Working Paper 3108/2003) 2.

⁵⁶ C Phipan, 'The Rocky Road to Europe: The EU's Stabilisation and Association Process for the Western Balkans and the Principle of Conditionality' (2004) *European Foreign Affairs Review* 219.

North Macedonia was the first country from the region to sign the Stabilisation and Association Agreement in April 2001, which entered into force in April 2004.⁵⁷ The text is divided into 10 chapters, starting from general principles, political dialogue, regional cooperation, free movement of goods, movement of workers, establishment of businesses, services and capital, approximation of legislation and law enforcement, justice and internal affairs, cooperation policy, institutional and financial cooperation and general provisions. The part of the SAA that governs the free movement of goods is the most comprehensive and most detailed (annexes, protocols) in terms of its volume and had a direct impact on the dynamics of the development of the economy, industry and the direction of the commercial relations with the EU. The approach is asymmetric, which meant that products from North Macedonia had immediate free access to the European market without customs duties and quantitative restrictions or small and temporary restrictions with exceptions for certain products and areas, while domestic market has been opening to EU products with a gradual reduction of customs duties and other restrictions for a certain period of time and, by the end of ten years, this asymmetric approach established a free trade zone.

The part of the SAA related to the free movement of workers defines terms, modalities and the treatment of persons, while regarding the establishment of enterprises, it defines the methods of the establishment and functioning of legal entities – companies, subsidiaries and subsidiary companies in the territories of both sides. The provision of services defines mutual obligations aimed at the further liberalisation of transport services in the area of land, air and water transport and mutual access to markets on both sides, while the parts of the agreement covering current payments and movement of capital define the terms of payments and transfers on the accounts. Hence, the SAAs provide for free trade in goods and quite liberalised conditions for investment, as well as cooperation in labour and capital mobility, business establishment rights between SAA signatories, and the liberalisation of trade in services. Along with free trade provisions, the SAAs also cover competition, protection of intellectual property rights, and enhanced cooperation in customs matters. They also include rules on public procurement, legislative “approximation” (including standardisation), and provisions for services.

One of the fundamental pillars of the SAA is art. 68, which clearly stipulates the harmonisation of the overall existing and future national legislation with the *acquis communautaire*, as well as building the institutional capacity for its efficient application in parallel with this process. This way, the SAA offered a systematised framework for the reconciliation of national legislation with the EU *acquis* and for institutional restructuring in accordance with the EU key administrative structures. Hence, the SAAs constitute the legal instrument for alignment to the EU *acquis* and limited integration into selected sectors of the EU market. Complementary to the SAA is CEFTA 2006, the second EU instrument for economic development of the Western Balkans region by re-establishing and building

⁵⁷ Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Macedonia, of the other part [2004].

economic and trade relations among Western Balkans countries themselves. Regional cooperation is much more emphasized with regard to the EU approach towards Western Balkans than in the case of CEECs.⁵⁸

The existence of SAAs has had a positive impact on inward foreign direct investment (FDI) flows and exports for the Western Balkan countries. The exports to the EU from a country with a SAA were 70 per cent higher than would otherwise have been the case⁵⁹, although the region's share of overall EU trade is only 1.4 per cent. This reflects the strong reduction in trade barriers during the accession process, accompanied by other reforms potentially improving the competitiveness of countries with SAAs in force, as well as the scale and wealth of the EU market relative to those of individual countries. Given the free movement of capital in the EU as well as the comparatively high level of investment protection there are some strong and positive results for FDI inflows. The SAAs provide assurance to foreign investors that the country is on its way to EU membership and their implementation can be perceived by investors as a sign of strong willingness to implement all the reforms required to become an EU member.

The EU embedded the monitoring of the SAA within its monitoring and reporting system of the EU integration process overall, which was gradually also developed and modified – following the Regional approach reports until 2001, the Stabilisation and Association reports were issued in the period 2002-2004 and from 2005 the regular progress report that since 2015 are titled just “reports”. Integration in the internal market is of outmost importance for the economic development which is also part of the “Fundamental first” approach. Furthermore, new Enlargement Methodology aims at the transformation of the Western Balkans into functioning market economies able to integrate fully into the EU’s single market, whereby the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union are covered under the first cluster “Fundamentals” and second cluster “Internal Market”, which consists of chapters 1 (free movement of goods), chapter 2 (freedom of movement for workers), chapter 3 (right of establishment and freedom to provide services), chapter 4 (free movement of capital), chapter 6 (company law), chapter 7 (intellectual property law), chapter 8 (competition policy), chapter 9 (financial services), and chapter 28 (consumer and health protection).

⁵⁸ A Gugu, 'Main Features of Stabilisation and Association Agreements and the Differences with Europe Agreements' (2003) CEU Policy Documentation Centre pdc.ceu.edu.

⁵⁹ S Weiss, 'Pushing on a string? An Evaluation of Regional Economic Cooperation in the Western Balkans' (Bertelsmann Stiftung 2020).

Country	The existence of a functioning market economy				The capacity to cope with competitive pressure and market forces within the EU			
	<i>progress</i>		<i>alignment</i>		<i>progress</i>		<i>alignment</i>	
	2015	2021	2015	2021	2015	2021	2015	2021
North Macedonia	no progress 0	some progress 2	good level of preparation 4	good level of preparation 4	some progress 2	some progress 2	moderately prepared 3	moderately prepared 3
Montenegro	some progress 2	some progress 2	moderately prepared 3	moderately prepared 3	some progress 2	some progress 2	moderately prepared 3	moderately prepared 3
Serbia	good progress 3	some progress 2	moderately prepared 3	moderately prepared / at a good level of preparation 3,5	some progress 2	some progress 2	moderately prepared 3	moderately prepared 3
Albania	some progress 2	some progress 2	moderately prepared 3	moderately prepared 3	some progress 2	some progress 2	some level of preparation 2	some level of preparation 2
Kosovo	some progress 2	limited progress 1	at an early stage 1	at an early stage 1	no progress 0	limited progress 1	at an early stage 1	at an early stage 1
Bosnia and Herzegovina	some progress 2	limited progress 1	at an early stage 1	at an early stage 1	some progress 2	limited progress 1	at an early stage 1	remains at an early stage 1

TABLE 4. WB countries and market-related Economic criteria under Cluster "Fundamentals". Source: Author's calculations based on the EC Reports/Enlargement Package 2021.

	North Macedonia		Montenegro		Serbia		Albania		Kosovo	Bosnia and Herzegovina
	2015	2021	2015	2021	2015	2021	2015	2021	2021	2021
1 - free movement of goods	3	3	3	3	3	3	3	3	2	1
2 - freedom of movement for workers	1	1	1	2	3	3	1	2	3	2
3 - right of establishment and freedom to provide services	3	3	3	3	3	3	3	3	3	1
4 - free movement of capital	3	3	3	3	3	3	3	3	2	3
6 - company law	4	4	3	4	4	4	3	3	2	2
7 - intellectual property law	3	3	5	4	4	4	2	3	2	3
8 - competition policy	3	3	3	3	3	3	3	3	2	2
9 - financial services	3	3	3	3	3	3	3	3	3	3
28- consumer and health protection	3	3	3	3	3	3	1	1	1	1
	2.88	2.88	3	3.11	3.22	3.22	2.4	2.66	2.22	2

TABLE 5. WB countries alignment with regard to Cluster 2 - Internal Market. Source: Author's calculations based on the EC Reports/Enlargement Package 2021.⁶⁰

⁶⁰ Comparison with 2015 is made in order to provide more consistency, having in mind that Enlargement Strategy 2015 introduced a new methodology to quantify the progress and alignment.

Even though the SAAs already provide for free trade in goods as well as quite liberalised conditions for investment and the Western Balkans already has a high level of economic integration with the EU, there are more steps that should be taken. In addition, CEFTA has had a positive impact in terms of increasing competitiveness, rebuilding the regional market and increasing the flow of goods, but the regional economic integration itself is not enough.⁶¹ Therefore, the efforts towards economic integration through the CEFTA 2006 have not increased the shares of trade within the Western Balkans at the expected levels, and the EU has remained the dominant export market for all the Western Balkans.⁶² Presented data shows that the effectiveness of the overall accession process and of its implementation must be improved further and the ongoing dynamic is not satisfactory. In terms of fulfilling the economic criteria under Cluster 1, the level of alignment has almost without exemption not been improved and has been standing still for years hence the level of progress is even decreasing. Comparison on the level of alignment regarding Cluster 2 on internal market in 2015 and in 2021 shows little or no progress even in the countries that are already negotiating such as Montenegro and Serbia, while North Macedonia has not even started the accession negotiations yet, although it stands on a similar level.

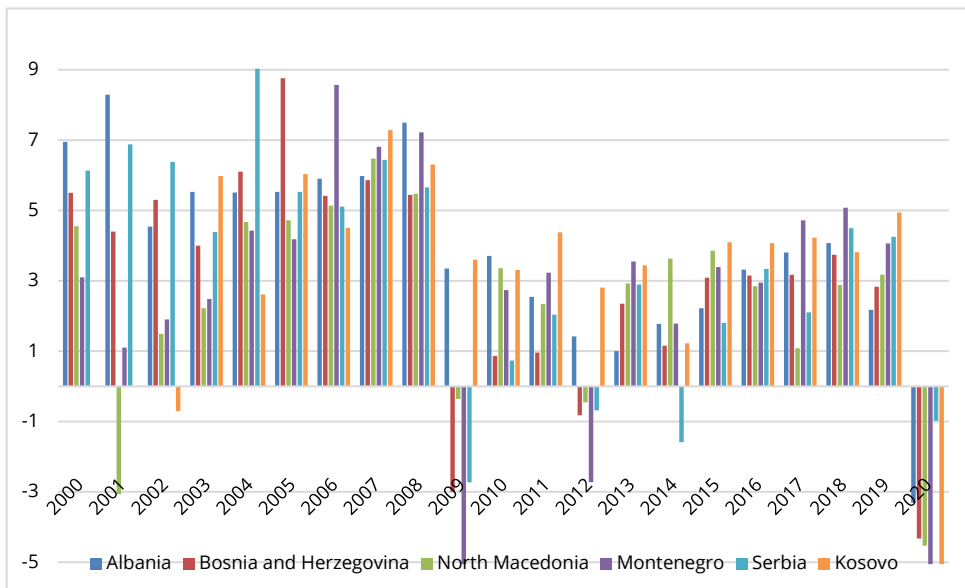


FIGURE 2. Real GDP growth in Western Balkans. Source: IMF.

⁶¹ S Weiss, 'Pushing on a String? An Evaluation of Regional Economic Cooperation in the Western Balkans' cit.

⁶² World Bank, 'Coping with Floods, Strengthening Growth' (South East Europe Regular Economic Report 7/2015).

The transition blueprint of rapid market liberalisation and privatisation, in combination with the progressive transposition of EU laws, which has been (to a certain extent) successful in CEECs and has helped economic and institutional reforms to proceed hand in hand, has failed to deliver more concrete results in the Western Balkans as it can be seen from the data presented above.⁶³ Although it was intended to serve as a precondition for accession or a new frame of enlargement, not only that the Stabilisation and Association process has not yielded the expected results in terms of obtaining EU membership but also has reached its limits with regard to the association and economic development in particular.

III.2. WAY FORWARD PERSPECTIVES

Amid the enlargement impasse, the Berlin Process was initiated in 2014 to serve as a temporary mechanism to fill the gap with regard to a credible European perspective and deliver tangible results with focus was put on economic and regional integration. The main aim of this process was to send the message that even without further EU enlargement, accession prospects will continue to drive long overdue reforms and democratization in the region. Not by accident, the Berlin Process was initially projected to last for four years, probably predicting that by that time accession process will be strengthened and the European perspective will become much more credible and tangible. Within the framework of Berlin Process, in 2017 the EU launched the Regional Economic Area (REA) for the Western Balkans, under which the integration is structured along four main areas: a common market for goods, services and capital; free flow of skilled workforce integrated into professional and academic EU networks; a common digital market; a dynamic investment space. Literature showcase that REA was created by the EU due to its internal challenges and as a mechanism for diminished involvement of the EU in the Western Balkans rather than to find a specific model for supporting the developments in the Western Balkans in the frame of regional institutions.⁶⁴ Political, economic and institutional environments in the Western Balkans remain fragile, thus there is a need for continuous direct support from the EU institutions, while the regional cooperation and regional institutions could be as complementary instruments.⁶⁵

Building up on the REA as first regional initiative of this kind, in 2020 the Common Regional Market (CRM) has been launched as another “stepping stone” to better integrate the region more closely with the EU already before accession. However, these regional initia-

⁶³ M Bonomi and D Reljić, ‘The EU and the Western Balkans’ cit.

⁶⁴ G Qorraj, ‘Towards European Union or Regional Economic Area: Western Balkans at Crossroads’ (2018) *Naše gospodarstvo/Our Economy* 11.

⁶⁵ *Ibid.*

tives can have only limited impact due to the small size and low level of economic development of the region's economies that severely limits the upside that integration will bring.⁶⁶ It lacks strong motives as credible approach in terms of EU perspective is still missing while the regional ownership shifts the EU direct engagement so its leverage, thus it cannot be expected to contribute to building functional institutions in line with the European standards and criteria as a pre-requisite for any economic integration. Taking into consideration political challenges between the countries of the region, specifically the unresolved bilateral issues, regional initiatives put the Western Balkans at yet another crossroad especially if the European perspective is uncertain. The region can overcome the divisions and unite only on the basis of the European narrative and the prospect of EU membership that is without its alternative. If the strategy for economic convergence is reduced to its regional dimension, it is not likely that the process will remain concentrated on a single initiative as a mechanism. Such an example is the Open Balkan Initiative⁶⁷ which further builds on an already achieved level of regional cooperation and trust established with the implementation of CRM and offers a substantial contribution to further regional integration with a desire to completely abolish border controls and enabling all labour to be employed across the region with one work permit being sufficient, but this in-depth integration is so far accepted only by three countries from the region composed of six.

Having in mind this context, the only resort is the enlargement policy that unites foreign policy, assistance, and conditionality in a package of tools and incentives whereby the accession process needs to adapt in order to foster the transformative power of the EU with regard to the candidate states. According to the new Enlargement methodology, the core objective of the EU's engagement with the Western Balkans is to prepare the countries to meet all the requirements of membership, namely supporting fundamental democratic, rule of law and economic reforms and alignment with core European values as the key pillars of the accession process. However, the membership prospect still remains distant generating enlargement impasse while the EU is starting to lose the region with the increased presence and influence of other geo-strategic actors which are filling the vacuum created by fading of the European idea.⁶⁸ On the other side, the Western Balkans countries are more advanced in economic reform than in the rule of law which are more specific and challenging, thus take time to be proven deeply embedded and irreversible.

⁶⁶ R Grieveson, 'Western Balkan Economic Integration with the EU: Time for More Ambition' (14 October 2021) The Balkans in Europe Policy Advisory Group biepag.eu.

⁶⁷ Government of the Republic of North Macedonia, Joint statement of the leaders of "Open Balkan" of 29 July 2021 vlada.mk.

⁶⁸ European Political Strategy Centre, *Engaging with the Western Balkans: An Investment in Europe's Security* op.europa.eu 3.

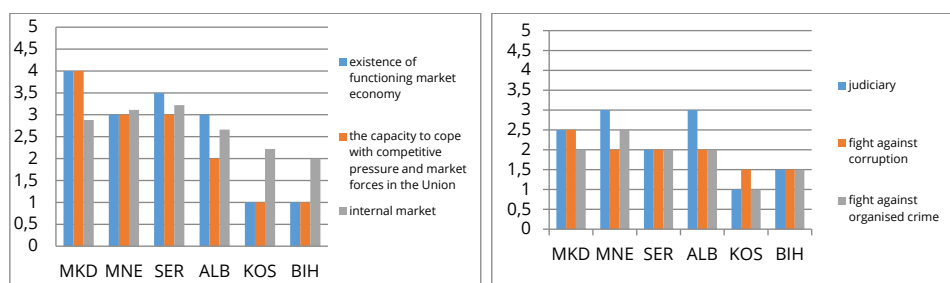


FIGURE 3. WB Economic criteria alignment and Chart 10. WB Rule of law alignment. Source: EC 2021 Reports.

There seems to be a clear necessity to redefine the enlargement policy in a way which is going to help achieve enlargement in the more immediate future and to mitigate the impasse on the both sides – the EU and the Western Balkans. At the same time, the new enlargement approach should continue to insist on and support fundamental reforms as before, but with a better understanding of realities on the ground and of the need for much stronger and more imminent incentives for reforms.⁶⁹ Having in mind the state of play (Figure 3) and the expected positive impact of greater economic integration with the EU as elaborated, one solution could be to grant gradual access to specific EU membership benefits and joining the EU single market seems to be a realistic goal.⁷⁰ This step should also be conditional with the achievement of certain reform benchmarks with focus on the rule of law, but it will make the process more dynamic and elevate the level of commitment considering the fact that fulfilling the single market criteria also requires ambitious and demanding reforms. At present, new EU entrants gain access to all policy areas under EU competence on the day of their accession, except for those policies for which exceptions are stipulated in the general treaty framework, such as the European Monetary Union and the Schengen Agreement for which fulfilment of additional criteria is needed, beyond those stipulated for EU membership. Hence, the idea of gradual (and more conditional) access to EU policies is not much controversial or that unusual, moreover it can be observed in terms of transitional measures with regard to the free movement of labour.

Although not explicitly, this approach is also contained within the new Enlargement Methodology which prescribes that “by providing clear and tangible incentives of direct interest to citizens, the EU can encourage real political will and reward results arising from demanding reforms and the process of political, economic and societal change” and “if countries move on reform priorities agreed in the negotiations sufficiently, this should

⁶⁹ M Lazarevic, ‘Away with the Enlargement Bogeyman’ (2018) European Policy Centre Discussion Paper cep.org.rs.

⁷⁰ European Stability Initiative, ‘Hamster in the Wheel Credibility and EU Balkan policy’ (15 January 2020) ESI Report esiweb.org.

lead to: closer integration of the country with the European Union, work for accelerated integration and “phasing-in” to individual EU policies, the EU market and EU programmes, while ensuring a level playing field”.⁷¹ This advance should be stimulated and supported with increased funding and investments, thus Western Balkan countries should be provided with a volume of resources proportional to the levels of integration with the EU that they have already achieved, considering ways of opening structural funds even before membership. In order to maintain the EU leverage in most pressing areas, accessing the single market should be conditioned not only with the required level of alignment in chapters under the Cluster 2 (internal market) but also with certain progress and preparedness in terms Cluster 1 (fundamentals) and sanctioning mechanisms in case of any stagnation or serious backsliding. This approach will also imply deepening of regional ties that is more a consequence of – rather than prerequisite for – EU accession,⁷² but it is for sure a much needed step towards overcoming the bilateral issues that disrupt the accession process.⁷³ Finally, from a legal point of view, EU enlargement is based on a single provision in the primary law serving as the legal basis for accession to the EU (art. 49 TEU), hence the policy has developed through Commission opinions on the application for EU membership, strategy papers, annual reports, Council conclusions, and specific agreements such as SAA. In that context, access to the single market as an approach for reinforcing the Enlargement policy can be introduced and based on the same acts by the Commission and the Council along with separate agreements that will set the institutional arrangements and define the relations in details.

IV. CONCLUDING REMARKS

This *Article* has outlined the effects of economic integration and its impact in terms of overcoming the enlargement constraints. The case of EEA showed that there had been a way to “reconcile the successful integration of the Twelve without rebuffing those who are just as entitled to call themselves Europeans”⁷⁴ by establishing more structured partnership through expanding the single market. Moreover, the contribution of the EEA became apparent in the accession process of Austria, Sweden and Finland, proving the initial founding theory that close economic cooperation imposes a need for political integration and common decision-making process, hence pointing out the future prospects and the perspective of the access to the single market as a (sole) goal.

⁷¹ Communication COM(2020) 57 final from the Commission of 5 February 2020 on Enhancing the Accession Process 5.

⁷² S Richter, ‘Changes in the Structure of Intra-Visegrad Trade after the Visegrad Countries’ Accession to the European Union’ (Vienna Institute for International Economic Studies Statistical Report 5/2012).

⁷³ The case of North Macedonia’s integration process towards the EU is particularly indicative in that manner, twice blocked because of bilateral disputes (previously the name dispute with Greece, while more recently the blockade imposed by Bulgaria).

⁷⁴ J Delors, ‘Statement on the Broad Lines of Commission Policy’ extracts reprinted in Marius Vahl (ed), *European Economic Area 1994-2009* cit. 12 ff.

The EU Eastern enlargement in 2004 which proceeded with the accession of Bulgaria and Romania in 2007, represents a milestone in the evolution of European integration seen as a tool to consolidate economic and political transitions. The instruments employed in the process accomplished significant convergence that further increased after accession along with the positive effects on the side of the single market which despite the increased economic divergence among its current members, has become more integrated and dynamic. Moreover, economic development of CEECs contributed to increasing the quality of institutions which indicates a linkage between the economic and political criteria. However, this approach achieved only limited impact with regard to the Western Balkans, whereby one of the main reasons is the impaired credibility of the enlargement process and the membership perspective. Stabilisation and association process have not delivered many of the economic benefits of accession ahead of full membership and to overcome the gap in economic development in terms of EU-CEE. What is at stake today is rather consolidating what the EU has already achieved so far, including what was achieved through previous rounds of enlargement.

Hence, this *Article* argued that offering access to the single market as an intermediary goal could serve as a strong incentive and inspire real reforms, while at the same time it would also enhance the accession process and the EU leverage in the region. Credible accession perspective is the key incentive and driver of transformation in the region. Other alternatives such as the regional cooperation do not have the capacity to yield results that will contribute greatly to improving the living standards of the citizens and overcoming the convergence gap. Moreover, greater economic integration with the EU could in fact spur deepening of regional economic integration. While this option may be feared as second-class membership, it is certainly better than the actual *status quo* and the ongoing uncertainty of the process which is not delivering. In order to maintain the focus on the democracy and rule of law promotion, which are also the main engines of economic integration, gaining access to the single market should be made conditional upon progress in terms of these criteria as well. Finally, the EU has nothing to lose but much to gain.

