



CHINA-CEE INSTITUTE

**THE IMPACT OF EUROPEANIZATION
ON THE BALKAN COUNTRIES
AND THEIR POTENTIAL
SHIFT FROM THE PERIPHERY
TOWARD THE CENTER**

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CHINA-CEE INSTITUTE

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Preface

China-CEE Institute had announced “Call for Proposal” research programs in December 2018. One of the proposed research projects is “CEE countries in Europe: toward Center or Periphery”. The aim of this project is to analyze the position and tendency of the CEE Countries in Europe. What we are presenting here is the result of this research project, conducted by scholars from Center for Research and Policy Making (Skopje, North Macedonia) and Center for Balkan Studies, Beijing Foreign Studies University (Beijing, China). The research team developed the research under the proposal entitled “The impact of Europeanization on the Balkan countries and their potential shift from the periphery toward the center”.

This project applies the world-system theory and takes the integration and Europeanization as the process moving from “periphery” to “center” for Balkan countries. The research team takes nine Balkan countries as case studies. While Slovenia, Romania, Bulgaria and Croatia have been granted full membership of the EU, the Western Balkans, i.e., Albania, Bosnia and Herzegovina, North Macedonia, Montenegro and Serbia, are at the different levels of proximity to EU accession. The project also discusses the role and influence of economic means, such as official aid and private investment and trade, and political, cultural and religious means provided by external actors, such as Turkey, Russia, Gulf States, the US and China. In doing so, the research is trying to provide a general overview on the shift of such transformation.

The China-CEE Institute, registered as a non-profit limited company in Budapest, was established by the Chinese Academy of Social Sciences (CASS) in April 2017. The Institute aims to build ties and strengthen partnerships with academic institutions and think tanks in Hungary, Central and Eastern European countries, as well as other parts of Europe. The China-CEE Institute encourages scholars and researchers to

carry out joint researches and field studies, organizes seminars and lecture series, holds training programs for students and junior researchers and publishes publications, etc.

I hope this book will help enriching the research literature on CEE countries.

Prof. Dr. CHEN Xin

Executive President and Managing Director, China-CEE Institute

Deputy Director General, Institute of European Studies, CASS

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EXECUTIVE SUMMARY

The collapse of the Soviet Union put the Balkan countries in a unique position in relation to the rest of Europe and the European integration with respect to the differences in the historical, political and economic context. While Slovenia, Romania, Bulgaria and Croatia have been granted full membership, the Western Balkans – Albania, Bosnia and Herzegovina, North Macedonia, Montenegro and Serbia find themselves at different levels of proximity to EU accession. Since the Thessaloniki Summit in 2003 they have been offered prospects for full membership, and the Sofia summit in 2018, followed by the EU Commission’s strategy confirmed “a credible enlargement perspective for the Western Balkans.”

The EU integration does not start or end with the accession, but goes on well beyond and expands by deepening the interconnectedness in different areas. It’s a process of profound transformation in terms of economy, politics and society. In that context, candidate and potential candidate countries undergo in-depth reforms. To that end, the study examines how the World-system theory applies to the 9 Balkan countries by analysing the impact that the EU integration process has had on the Balkan countries and on their respective shift from the “periphery” to the “center”. The analysis of a set of 25 pre-defined criteria collected for the period between 1990 and 2018 aims to verify or falsify if the EU integration process positively contributes to the shift of the accession countries from the periphery to the semiperiphery and core.

In part 1, the research explains its interdisciplinary approach based on quantitative data which provides a substantial analysis on how the Europeanization of the 9 countries in question has impacted various sectors in order to show the relevance of the World-system theory. For that purpose the, study includes an introduction of the theoretical framework prior to the assessment of the Europeanization of these countries.

Part 2 presents analyses of each individual country, as well as a comparison with the average values of the abovementioned indicators for the “old” and “new” member states. The case of Albania shows that the transition to market economy can be remarkably fast as the country demonstrates increase in GDP per capita and salaries, price stability and stable FDI rise since the civil war and the start of the Europeanization process onwards. However, the EU integration fails to impact on rule of law reforms and fight against corruption which remain highly problematic for the Albanian accession to the European Union.

The case of Bosnia and Herzegovina shows that the war-halting Dayton agreement is at the same time pre-condition for political stability required by the EU for candidate countries and a barrier for EU integration as the Union requires constitutional reform that will comply with the European Convention of Human Rights. However, the Europeanization has a positive effect on economic transition which after the war has been stable with steady increase in GDP, salaries and economic growth, facilitated through the Stabilization and Association Agreement

as an instrument which, as the study shows, has a significant positive impact on the increase of trade in goods.

Bulgaria's transition was not so promising until 1997, when with the candidate status the economy started to improve. The membership in the European Union had its positive effect on GDP, trade in goods and on government debt which decreased, while poverty, contrary to the expectations, has increased. Furthermore, Bulgaria still faces problems with corruption, although rule of law and government policy effectiveness have improved since it became a member of the European Union.

Croatia demonstrates the power that the Europeanization can have especially in terms of increase of FDI, salary and competitiveness. Although economically the process of integration into the EU has proved to be successful, the indicators show that the country still struggles with unemployment and emigration, despite the political stability and improvement of governance performance indicators.

The study observes that Montenegro transitioned to service-based market economy with skyrocketing FDI and controlled inflation thanks to the European-oriented economic reforms and the introduction of the Euro as a national currency. The political stability, rule of law, voice and accountability are however slowly decreasing, since they peaked in 2008/2009, despite Montenegro becoming a candidate country and opening accession talks.

The case of North Macedonia shows that as long as a country is outside of the European Union it is highly vulnerable to external and internal factors. The economic transition and performance of Macedonia has been determined by the ethnic conflict and several political crises, whereas the European financial and sovereign debt crises also had its impact due to the Macedonian economic dependence on European markets. Despite the stabilization of the economy which has been closely linked to the Stabilization and Association Agreements and resulted in gradual increase of GDP, improved industrial performance and increase in trade and investments, the country is still lagging behind the EU member states in terms of social parameters and rule of law which remains the main barrier to EU integration.

Structural reforms driven by the country's Europeanization processes have had an impact on Romania's increase of GDP, rise of the gross average monthly wages, economic growth and improvement in the Competitive Industrial Performance Index. As soon as the country became an EU member state, its FDI substantially increased as well as the trade in goods and services. Nevertheless, the low quality of life and unemployment have had an inevitable impact on emigration levels which, together with corruption, remains one of the main issues in the country.

Serbia is another example where the transition to a market economy, cannot be directly associated with the milestones in the EU accession process, but clearly related to the stabilization process facilitated through the SAA. The candidate status further facilitated the inflow of FDI, which had an effect on increase of employment rates and export of goods and services, but also instigated improvement in capital investments. The study also shows that the

overall political parameters in Serbia have improved during the period when Serbia was seeking to open accession talks, but have not maintained that trend since the beginning of the negotiation process.

Slovenia is a textbook example of the success of the Europeanization project. The country excelled in economic performance with the process of becoming and being an EU member state. In addition to its better starting position in respect to the economic parameters, it has had a similar political culture as the “old” member states and its political outlook has never been problematic. Although it underwent several internal political crises, they did not affect the economy or the democracy performance indicators. However, poverty and social inequality indicators have worsened since the EU accession.

The comparative analysis of the economic indicators shows that EU integration has significant positive impact on economic development, trade and investments, especially through the Stabilization and Association Agreements. EU’s stringent rules have provided a solid framework for all the countries to stabilize their inflation and government debt levels. At the same time it concludes that while EU member states are more interdependent and more susceptible to shocks occurring inside the Union, as it was the case with the financial crises of 2008, the Balkans, although not fully integrated, are equally affected by EU’s internal turmoil.

In terms of social parameters, while the HDI of all the countries have improved, the GINI and poverty rates in some cases worsen, showcasing that the EU integration does not always improve social equality and welfare. In respect to governance indicators, the Balkan countries demonstrate that without a joint EU policy on rule of law and good governance, the Europeanization effect is not equally observed across the peninsula, with best results in Slovenia and Croatia, not so commendable results in member states like Bulgaria and Romania and even less promising situation in the Western Balkan countries.

In part 3 the analysis takes into account the potential influence of 5 external key players in the Balkan region – Turkey, Russia, the Gulf States, China and the USA – on the EU integration process. According to the findings, while some of them may seek to exercise negative influence on the countries’ aspirations to join the EU, like Russia, others are very supportive on the process since it is in line with their foreign policy agenda, like the USA. However, although there are episodes of the Balkan countries’ close cooperation with some of the external actors which may have an effect of momentarily sidelining the EU values and agenda, all the countries maintain a firm position that joining the EU is their strategic goal and it seems to be very difficult to divert them from that path.

Finally, the research confirms the assumed application of the World-system theory categories - center, semiperiphery and periphery – in the case of the European countries, their main features, as well as the attribution of different countries into each category. It notes that the EU integration process brings prosperity and stability and incentivizes reforms, although the end result and the sustainability depend on a number of internal factors, such as the willingness of the political elites to go all the way through with sometimes “painful” solutions, the capacity of the institutions that lead the process, bilateral issues and EU’s internal

challenges. Internal – domestic and EU-related processes and developments are arguably more important for accelerating the EU integration and contributing towards a shift than external factors. Thus, the EU integration and Europeanization represent a necessary, but not sufficient factor for the country's shift from the periphery towards the semiperiphery and core. While they contribute to improvement of the economic criteria, the progress in the social and political criteria is more nuanced.

PART 1: INTRODUCTION

1.1. RESEARCH CONTEXT AND TOPIC

The importance of EU's enlargement policy became particularly salient after the end of the Cold War, when the former countries from the Eastern bloc, as well as some of the non-aligned, started to contemplate the prospects of joining the EU. The European peace project as the initial mission and vision of the European integration made its come-back after years of policies aimed predominantly to enable the proper functioning of the European single market. *"Europe' has increasingly come to be defined in terms of the EU; the 'Europeanization' or 'Europeannes' of individual countries has come to be measured by the intensity of institutional relations with the Community and by the adoption of its organizational norms and rules."* (Schimmelfennig, Sedelmeier, 2002:501)

Initial enlargement rounds, until the so-called EFTA enlargement in 1995, were not based on a structured set of policy instruments, but rather guided by negotiations centered mainly on the interests of different member states vis-à-vis candidate countries. Since the adoption of the Copenhagen criteria in 1993 onwards, each accession has been conditioned with ever-more detailed and strict requirements in terms of democracy, rule of law, human rights, functioning market economy, competitiveness of the domestic economy and a set of sectorial policy requirements to align with the EU acquis. The goal has been to prepare the aspiring countries to assume all the obligations stemming from full-fledged membership and reap all the benefits that come along, without disrupting the EU's internal functioning.

The EU integration process implies profound transformation in all aspects of one country's society, economy and political system. Candidate and potential candidate countries are willing to undergo an in-depth reform of their overall political, economic and sectorial policies in order to be able to move from the outside in, from the European periphery closer to its center. Member states continuously seek for ways to further promote the integration in areas where European level actions would be more productive and beneficial to them than counting only on their national resources. Therefore, it can be argued that the process of European integration does not start nor it ends with the actual accession to the EU. Even in the absence of full membership, outsiders may follow certain norms and rules driven by EU's conditionality or by formal agreements, i.e. Stabilization and Association or only Association Agreements, Europe Agreements etc, while members may decide any time upon closer integration and joining certain policies where previously they did not take part in, i.e. the monetary union or Schengen (Schimmelfennig, Sedelmeier, 2002:503).

Nevertheless, the existence of a substantial link between the actual fulfillment of the Copenhagen criteria and the decision whether and when an acceding country joins the EU in reality can be put into question. That can be supported with the enlargement in 2004, when the EU opted for a big bang enlargement, despite some of the countries not being completely ready regarding the political criteria (i.e. Slovakia in 2004, Bulgaria and Romania in 2007) (Nello,

2010:9), but also with the Council's decision not to open accession negotiations when Macedonia was granted the first recommendation in 2009 despite the fact that its level of preparedness was comparable to Croatia at the time. Hence, it can be argued that decisions regarding progress in the EU integration are to a large extent politically motivated, the fulfillment of the accession criteria is not always objective and measurable, but subject to interpretation by the member-states and the practical impact of the Copenhagen criteria, especially the economic ones, on the decision-making process is very limited (Nello, 2010:18).

On the other hand, it is precisely the economic benefits that have been predominant drivers of the EU integration process, given the big economic dependence that the CEE countries face vis-à-vis the EU and its member-states. The EU has been their largest trading partner, source of FDI and donor of development assistance. The application of various economic models (i.e. the gravity model) has confirmed the huge positive impact that different stages of their economic integration (ex. FTA, single market, EMU) have had on the convergence of the CEE countries with the EU's average (Nello, 2010:6).

Both the process of so-called widening and deepening of the European Union has been subject of ample theoretical and empirical research. Different analytical lenses (rationalism, constructivism, institutionalism etc.) have been applied to account for the EU integration processes, the motivation behind them and their impact on nation-states, sub-national actors and citizens. From the constructivist perspective, for Central and Eastern European countries the process meant breaking away with the legacy of socialism, communism, planned economy, one-party political systems and 'returning to Europe' or to the world of capitalism, political pluralism, democracy, liberal values and market economy. Today, with only the countries from the Western Balkans remaining outside the EU, it is related to the completion of the European project and the overarching dominance of the EU's normative power across the continent. From the rationalist perspective, the attractiveness of the European "core" for the aspirants lies within its market, economic prosperity, social welfare and redistributive capacities. Contrary to these views, some authors (Borocz, Kovacs, 2001:18) argue that the process of EU enlargement to the countries in Eastern Europe and the Balkans displays elements of imperialism, such as "unequal exchange imposed, export of governmentality (through the standardizing control mechanisms of modern statehood) and geopolitics (global strategy of projecting the center's power to the external world).

The objective of this research is to apply a new theoretical framework, the World-Systems Theory to examine the impact of the European integration and Europeanization on the CEE countries' shift from the periphery towards the center. The analysis will identify the main milestones on the path to full EU membership for each country, the transformation processes that occurred between those milestones and the extent to which these countries have managed to move from the "periphery" to the "center" of Europe as a result of those processes. It will take into account the period from the end of the cold war until today during which EU enlargement with CEE countries, including the Balkans, was made possible and real.

The research will focus on the 9 Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, North Macedonia, Romania, Serbia, and Slovenia). The choice of countries has been based on the fact that despite the similarity of the initial situation and

geographic location in the so-called Eastern bloc, there were substantial differences in the historical, political and economic context that the Balkans and the other CEE sub-regions found themselves into since the 1990s, which had crucial impact on the speed and final outcomes of their European integration. Namely, after the collapse of the Soviet Union and their independence from Russian influence, the Vishegrad and the Baltic countries relatively quickly managed to find the right developmental model for their societies and embarked with bright prospects on the EU integration path. Contrary to them, the Balkan countries that will be analyzed in this research, with the exception of Slovenia for a number of reasons, struggled over a decade to recover and get on the right track, both in terms of economic and political development. The underlying reasons include a number of internal and regional challenges, including but not limited to: the wars engaging Serbia, Croatia, Bosnia and Herzegovina and Slovenia (albeit the latter only for 10 days); the Kosovo issue and the subsequent conflict with Serbia; ethnic conflict in Macedonia; banking and exchange rate crisis in Bulgaria; failed economic transition across the region and shady privatization deals leading to skyrocketing unemployment; grey economy; dysfunctional public sector; lack of investments, both public and private; huge trade and current account deficits; rising debt level; lack of intra-regional trade and cooperation; etc (Gligorov, Holzner, 2003).

In the following two decades, after the EU unequivocally offered the prospects for full membership to all the Balkan countries at the Thessaloniki Summit in 2003, they all managed to consolidate to a certain extent and orient their political and policy agenda in the direction of meeting the Copenhagen criteria. While some of them managed to accomplish this priority (Slovenia joined the EU in 2004, Romania and Bulgaria in 2007 and Croatia in 2013), others are still in the “waiting room” with different levels of proximity and success on the EU path. Serbia and Montenegro are already deep into the accession negotiations. Namely, at the moment of writing, Serbia has opened 17 and closed 2, out of 34 standard chapters, while Montenegro has opened 32 and provisionally closed 3 chapters out of 33. 2018 was a breakthrough year for Albania and Macedonia which launched the pre-negotiation screening (technical explanatory meetings of the EU acquis) and hoped to start the accession talks in June 2018. However, even in June 2019, the Council failed to reach unanimity to allow the opening of negotiations for the two countries and postponed the decision for October 2019. As for Bosnia and Herzegovina, it is still pending the approval of the candidate country status.

The research will allow examining the impact that the EU integration process has had on the Balkans, more specifically and in line with the World-system theory on their shift from the periphery to the semiperiphery and the core. In this context, it will take into account both the internal processes that had an impact on their EU agenda and the external influences that have been either synergetic or conflicting with this process.

1.2. RESEARCH QUESTIONS AND HYPOTHESES

By analyzing a pre-defined set of 25 criteria over a time span ranging from 1990 to 2018, the research will strive to provide answers to the following questions:

1. What impact has the process of EU integration and Europeanization had on the Balkan countries?
2. How did it affect their shift from the periphery to the center?
3. What was the relative position of each country on the continuum between periphery and center before, during and (if applicable) after the accession process?
4. What are the internal processes that occurred and exercised influence on the shift towards or away from the semiperiphery and core? How are they related to the process of European integration and Europeanization?
5. What are the external influences that occurred and exercised influence on the shift towards or away from the semiperiphery and core? How are they related to the process of European integration and Europeanization?

The analysis aims to verify or falsify the following hypothesis: the EU integration process positively contributes to the shift of the accession countries from the periphery to the semiperiphery and core. With each step of the integration process, not only before officially joining the EU, but also afterwards, with the process of deepening the level of integration (for example joining the Euro, Schengen etc.), countries enhance their political and economic convergence with the EU and incrementally move towards the semiperiphery and the core.

1.3. THEORETICAL FRAMEWORK

1.3.1. World-system theory

World-system theory is a macro-sociological perspective (Martinez-Vela, 2001:1), developed by the American sociologist Immanuel Wallerstein in the 1970s and 1980s. Nevertheless, because of its multidisciplinary approach which combines history, economy, political science, anthropology, cultural and development studies, it has found application beyond sociology, in a number of areas aiming to explain the relationship between developed, developing and underdeveloped parts of the world.

Wallerstein draws largely on the methodological and historical approach of the French historian Fernand Braudel, the Annales School and their concept of the “long-term”, the main premises of dependence theory and the conceptual background of Marxism to explain the becoming and functioning of the capitalist world economy. His writings largely contradict the modernization theory developed by Talcott Parsons in the 1950s and 1960s which propagates that societies follow a broadly similar pattern of development from “traditional” to “modernity” which disregards the development of international structures that constrain national development, by putting forward the fact that each developmental path is rather unique and shaped by numerous elements, not only internal (traditional culture, overpopulation lack of investment etc), but also external (Burhanuddin, 2015:9). His theoretical basis provides novel, critical and competitive explanations for numerous historical events and phenomena which

lead to and shaped the world in the 20th century, which accounts for the uniqueness and broad applicability of the theory.

The abundance of Wallerstein's writings inspired a number of critics to come up with contentious arguments regarding the validity of some of his assumptions. He was criticized for ideological reasons – for being too much Marxist for some, not enough for others; too economic, or not enough; too political, or not enough; as well as for the fuzzy historical timeline of inclusion of external areas in the world-economy. One of the most structured criticisms especially in relation to the modern application of the theory comes from Andre Gunder Frank and relates to three main points: the questionable dominance of production over trade, the bilateral nature of the dichotomy core-periphery vs. the multilateral trade system and the definition of external areas (Bergesen, 2015:147-161). Nevertheless, given the nature and focus of this research, which is interdisciplinary, not ideologically painted, dealing primarily with very recent history and contemporary issues and based on quantitative data, none of the raised criticisms seems to be relevant.

The main unit of analysis for Wallerstein is the world-system as the only “totality”, or total social system. The world-system can have, but not necessarily does, a single political system. The former case is per definition a world-empire which has a single political center and the latter a world-economy with multiple centers of differing strength (Wallerstein, 1974:390). According to Goldfrank's definition, a world-economy is *“integrated through the market rather than, by a single political center. In this type of social system, two or more distinct economic and cultural regions are interdependent with respect to necessities like food, fuel, and protection, and two or more polities compete for domination without the emergence of one single center quasi-permanently”* (Goldfrank, 2000:166).

While the concept of capitalist world-economy initially covered Europe and the colonies of European states, since the early 20th century with the increasing pace of interconnectedness among different states and permeability of state borders, the geographic extension of the world-economy has become merely the globe (Goldfrank, 2000:174). For the purpose of this analysis, we will focus on the European continent as a fragment of the world economy. In line with the World systems theory and Goldfrank's definition, as well as due to the historical heritage of the world-economy it has been for centuries, Europe today largely displays the following key features:

- The constant struggle for dominance between different countries in Europe has been shifting the balance of power throughout history and across a vast range of areas (economy, finance, energy, industry, technology, military etc.) without ever leading to one country establishing overarching dominance over the others.
- The basic “raison d'être” of the European Union, more broadly the European Economic Area and the continent itself, is the European single market. Its unhindered operation throughout history and today has been the driving force behind the adoption of most of the European acquis and the ever-closer regional integration.
- The interdependence on the continent was clearly exposed during the European economic, financial and sovereign-debt crisis which spread its negative impact at neck-breaking speed in all the countries.

- Nation-states are not the only relevant actors in the European integration. “*Groups pursue their economic interests within a single world-market while seeking to distort the market for their benefit by organizing to exert influence on states, some of which are far more powerful than others but none of which controls the world-market in its entirety*” (Wallerstein, 1974:406). Hence, transnational, supra-national and sub-national actors can also promote or constrain development. This is in line with Europe’s model of multi-level governance where, in addition to transnational corporations, the institutions of the European Union, other European-wide organizations, regions, labor unions etc. have their say and influence on policy-making by national governments.

Wallerstein puts forward the distinction between the core, periphery, semiperiphery and external areas. Core countries are economically wealthy and powerful, highly industrialized, technologically advanced, with strong state institutions, solid tax base and good infrastructure. They focus on capital-intensive production, manufacturing high-value goods and services and have influence over peripheral countries by importing from them raw materials and cheap goods and exporting high-value end products. The latter, in turn, have weak governments and institutions, high social inequality, with small elites and large peasant classes which are usually poor and uneducated. The surplus the periphery creates through its economic activity is exported to the core, contributes to its wealth and does not stimulate significantly the development of the periphery which remains in a rather subordinate position to the core and does not reap the benefits of international trade. Peripheral countries base their economy on cheap labour and face emigration and brain drain toward the more developed and prosperous core countries. They find themselves in this category and oftentimes unable to move forward because of intervention of outsiders through war, subversion and diplomacy (Wallerstein, 1974:403).

The midway between the two is occupied by semi-peripheral countries which are either core countries in decline or aspiring to join the core. They are characterized by a certain degree of industrialization and economic diversification, but are not dominant players in international trade or the world order. Most importantly, they mitigate the inequality between the core and the periphery and deflect revolutionary pressures, thus contributing to the relative stability of the system over the long term (Burhanuddin, 2015:7). External areas are those that maintain their own economic systems and social divisions of labour and do not maintain intensive exchange with the modern world economy.

Applied to the context of the European continent, the theory could be used to establish a distinction between:

- **the core** – Western European countries or “old” EU member states, such as the founding countries, Germany, France, Italy, Belgium, the Netherlands, Luxembourg, but also the other 9 member states that joined the EU before 2000s and the big-bang enlargement with the CEE countries (Spain, Portugal, Greece, the UK, Ireland, Austria, Sweden, Finland, Denmark)
- **the semiperiphery** - “new” member-states which joined the EU at a later stage, after the 2000s and can be attributed to the category of semi-peripheral countries, with different degrees of proximity or resemblance to the core or the periphery respectively

(the Vishegrad and Baltic countries, Malta, Cyprus, Slovenia, Romania, Bulgaria and Croatia)

- **the periphery** - aspiring EU member states, or the Western Balkan countries (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia)¹.

This distinction is also to be verified or falsified with the research.

The relationship between the core and the periphery is structural and there is power hierarchy. The continuous economic expansion of the core, mostly by its accumulation of the capital surplus generated in the periphery, as well as the strengthening of the semiperiphery may lead to further weakening of the periphery (Wallerstein, 1974:414). There are three main reasons which allow the world system to retain relative political stability: military strength of the core countries; ideological commitment to the system as a whole, which propagates that the disintegration of the system will leave all actors worse-off; the existence of a semiperiphery which displays certain characteristics of both the core and the periphery and acts as a buffer zone between the two (Wallerstein, 1974:404).

However, Wallerstein acknowledges that there are also a number of reasons why the system's divisions, rather than becoming permanent and entrenched, are sometimes blurred and eliminated, and supports it with a number of examples throughout history. It is not impossible for one country to move upward to the semiperiphery and core, but the process usually takes time, technological and organizational innovation (Goldfrank, 2000:167). This leads to the second part of the theoretic framework and the concepts of integration in the EU and Europeanization as main factors potentially leading to the development of the periphery and its shift toward the semiperiphery and core.

1.3.2 EU integration and Europeanization

The Europeanization 'processes of (a) construction (b) diffusion and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things,' and shared beliefs and norms' has been exported and then 'incorporated in the logic of domestic discourse, identities, political structures and public policies' (Radaelli, 2000) to member states and candidate countries. However, Europeanization should not be seen as simply a domestic "reaction" or 'response' to European politics. Blandy further argues that European politics are part in a multi leveled system, that the perspective is not entirely "bottom-up" or "top-down" and that it rather should be seen as an interactive process 'that begins and finishes at the domestic level' (Radaelli, 2006:59).

While historically speaking the EU started out as a peace project with mainly an economic function, its democratization effects and scope of influence have become increasingly important for European political life. Once a country becomes an EU member, we must assume that it has consolidated democratic institutions and evolved to guarantee human rights, including women's rights. In order to be admitted the aspiring countries had to strictly comply with the EU political, economical as well as legal requirements (known as the

¹ Due to its unresolved international status, Kosovo is not included in this analysis.

Copenhagen criteria). The principles were established at the European Council meeting in Copenhagen in June 1993. The Copenhagen criteria require that the candidate country must have achieved “stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership including adherence to the aims of political, economic & monetary union.”(*The Copenhagen Criteria*) These particular conditions, established specifically for the Central and Eastern European candidate countries, introduce the idea that the EU, at least discursively, would only extend membership to countries that have a high quality of democracy.

Conditionality for EU accession is set with the *acquis communautaire* which encompasses all EU legislation. The *acquis*, however, is a dynamic concept because the body of legislation grows all the time through Treaty change, adoption of legislative measures international agreements and the jurisprudence of the European Court of Justice. (Grabbe, 1999:6) Consequently every change of the legislation affects conditionality for accession of new candidate countries. Moreover, the implementation of the Lisbon Treaty in December 2009 introduces a major reshuffling of the founding treaties of the European Union having a considerable impact on the structure and governance of the EU and the conditionality for the new enlargements.

The EU approach in Eastern Europe had two dimensions: (i) the EU has affected the development path of these countries through its role as ‘*an active player*’ in the mediation and conflict resolution needs of the region; (ii) the EU also acts ‘*as a framework,*’ providing possibility of participation in decision making for these countries and equipping them with models of governance and policy options (Noutcheva, N. Tocci, et al, 2004:8). Europeanization as ‘processes of (a) construction (b) diffusion and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things,’ and shared beliefs and norms which are first defined and consolidated in the EU policy process and then incorporated in the logic of domestic discourse, identities, political structures and public policies,’ has become a normative and cognitive frame for the Balkan countries (Radaelli, 2000). Europeanization is the overall frame leading towards external transfer of EU rules and their subsequent adoption by non member states (Schimmelfennig, Sedelmeier, 2004). In this Europeanization process, conditionality encompasses a political/democratic and economic requirement and the adoption and implementation of the EU *acquis* (Atanasova 2008).

A broader definition of conditionality refers to “*the use of fulfillment of stipulated political obligations as a prerequisite for obtaining economic aid, debt relief, most-favored nation treatment, access to subsidized credit, or membership in coveted regional or global organization*” (Schmitter 2001, 42). The use of conditionality has increased in recent decades since the conditionality was first exercised by the International Monetary Fund (IMF) in the 1950s. In essence, a policy of conditionality is one in which “*international organizations promise rewards (such as financial assistance or membership) to target states on the condition that the states fulfill one or more conditions (such as policy adjustments or institutional change) set by the international organizations*” (Schimmelfennig, Sedelmeier 2008, 88-9). Today,

political conditionality is most often linked with the democratization of post-authoritarian countries aspiring and/or negotiating to become members of the European Union, and is seen to have a positive impact on the democratic transition and consolidation of their political systems.

EU accession conditionality, that is, the credible perspective of becoming an EU member after thorough democratic reform, has been the most effective among the EU's strategies and instruments. In using political conditionality, the EU sets the adoption of democratic rules and practices as conditions that the target countries have to fulfill in order to receive rewards such as financial assistance, some kind of contractual association, or – ultimately – membership. Countries that fail to meet the criteria are simply denied assistance, association or membership. The EU conditionality approach is to regularly encourage the target governments that it is their own responsibility to create the conditions to be rewarded (Schimmelfennig, Engert and Knobel, 2006) .

There is lively scholarly debate on the impacts of enlargement and many empirical research outputs on the level of EU influence (EU conditionality) in the candidate countries (Grabbe 2006, Vachudova 2005, Hughes 2004, Pridham 2005, Schimmelfennig and Sedelmeier 2005, Graziano and Maarten 2008) Most of the studies are concerned with the reasons for EU enlargement and the candidate's compliance with EU conditionality. In them, scholars and practitioners examine the factors that determine the effectiveness of conditionality through two approaches:

(i) the rationalist (which explains how applicants engage in cost-benefit calculations and commit themselves to EU-led reforms in the light of promised rewards); (Schimmelfennig and Sedelmeier 2004, Schimmelfennig and Sedelmeier 2005, Schimmelfennig 2005, Vachudova 2005)

(ii) the constructivist (which underlines the identification of candidates with the EU, their conviction of the appropriateness and legitimacy of EU rules, as well as learning, arguing and persuasion processes as factors behind candidates' compliance). (Schimmelfennig, Sedelmeier 2004). According to the rationalist, incentive-based explanation that dominates the literature, conditionality has been particularly effective when the EU offered a credible membership incentive and when incumbent governments did not consider the domestic costs of compliance threatening to their hold on power.

Some authors have argued that conditionality is better explained as a multiplicity of actors, perceptions, rewards and sanctions, distinguishing between formal conditionality, which embodies the publicly stated preconditions as set out in the broad principles of the Copenhagen criteria, and informal conditionality which includes the operational pressures and recommendations applied by actors within the Commission to achieve particular outcomes. (Hughes, Sasse, and Gordon, 2004:26) This definition highlights the pitfalls of linear causality models and the need to take seriously the inherent politicization of conditionality over time, Sasse arguing that political criteria are a construct, thereby recognizing that any notion of compliance is a construct and a political judgment (Sasse 2009, 19-20).

The political conditionality of the EU is often understood at its best when it is linked with the carrot of membership, when it is associated with a real and credible process of accession into the European Union. The attractiveness of EU membership and the strict political conditionality attached to the accession process have been perceived as a highly effective means of influence. Conditionality is widely credited with “*having brought about an alignment of the ten post-communist countries’ systems of governance, economies and legal structures with the West European member states and the EU’s *acquis communautaire**” (Epstein and Sedelmeier 2008, 795).

As Heather Grabbe identifies in “The EU’s transformative power” (2006) there are two major intervening variables specific to the process of Europeanization of the Eastern Europe: “one is the *asymmetry* of the relationship with the European Union, and the other is the *uncertainty* built into the accession process.” (Grabbe 2002, 13) The asymmetric relationship relies in the inability of the countries to influence the Europeanization process due to the advantaged position of the EU that allows it “*to set the rules of the game in the accession conditionality*” (Grabbe 2002, 13). The non-negotiable nature of the political conditionality provides little possibility for domestic actors to “*exercise their veto.*”(Dimitrova 2000, 172) Grabbe identifies at least five dimensions of uncertainty built into the accession conditions: (i) uncertainty about the policy agenda; (ii) uncertainty about the hierarchy of tasks; (iii) uncertainty about timing; (iv) uncertainty about whom to satisfy; and (v) uncertainty about standards and thresholds (Grabbe, 2002).

Through conditionality the EU membership status is gate-kept until compliance of the acceding countries with the three main Copenhagen conditions. These conditions, however, are very broad and open to considerable interpretation. The elaboration of what constitutes meeting them “has progressively widened the detailed criteria for membership, making the EU a moving target for applicants.”(Grabbe 1999, 6) Critics to the EU enlargement process have argued that the Copenhagen conditions use concepts that are highly debatable and slippery mainly because the EU has never provided definition of these concepts (democracy, market economy and capacity to cope with competitive pressure and market forces).

1.4 METHODOLOGY

There have been several attempts to operationalize the World-Systems Theory and categorize the countries into core, periphery or semiperiphery zones, broadly using three approaches: social network-based (Snyder and Kick, 1979; Nemeth and Smith, 1985; Smith and White, 1992; Van Rossem, 1996), income-based (Arrighi and Drangel, 1986; Korzeniewicz and Martin, 1994; Babones, 2005) and continuum-based which does not divide the countries into zones, but rather place them on the core-periphery continuum (Terlouw, 1993; Van Rossem, 1996; Kentor, 2000). They are all using different sets of parameters resulting in a number of countries which constantly appear in the same category, notwithstanding the methodology applied, but also in several differences regarding the boundaries of each category

and the period of transition for some countries from one zone to the other (Babones, 2005). However, they all point out to several points that are relevant to our research:

- the Western, rich European countries or “old” EU member states, such as the founding countries, Germany, France, Italy, Belgium, the Netherlands, Luxembourg, but also the other 9 member states that joined the EU before 2000’ and the big-bang enlargement with the CEE countries (Spain, Portugal, Greece, the UK, Ireland, Austria, Sweden, Finland, Denmark) are considered to be “organic” to the core because they are ranked in this category according to all the methodologies applied within our analysis timeframe (Babones, 2005:51).
- not all the countries of interest to this research have been subject to measurements and classification using all the methodologies and at the same points in time.
- the aspiring EU member states, or the Western Balkan countries have seldom been included in that type of analysis. Nevertheless, according to the measurement of Chase-Dunn, Kawana and Brewer published in 2000, they all belong to the periphery (Chase-Dunn, Kawana and Brewer, 2000, Appendix).
- the “new” member-states which joined the EU at a later stage, after 2000’, are sometimes ranked as semi-peripheral and sometimes as peripheral countries (the Vishegrad and Baltic countries, Malta, Cyprus, Slovenia, Romania, Bulgaria and Croatia). The differences between them are also visible in the EU’s approach towards the Eastern Enlargement which, precisely because of those differences in each country’s readiness was conducted in several stages (2004, 2007, 2013). Nevertheless, if we consider the fact that “*all states contain some mix of core and peripheral activities within their borders*” (Babones, 2005:38), this finding can be ascribed to the different parameters that are given priority in each of the three measurement approaches. In addition, World-system scholars generally agree that the semiperiphery is the category which is most difficult to delineate and spans across the “*blurred continuum between the core and the periphery*” (Terlow, 1993:87). Some of them even criticize Wallerstein for including such a broad and vague category out of convenience, rather than out of scientific evidence (Arrighi, Drangel, 1986:13). In order to mitigate this theoretic shortcoming, in line with Wallerstein’s writings and the continuum-based measurements, we will analyze each of the countries in question (Slovenia, Bulgaria, Romania, Croatia) as belonging to different intervals of the semiperiphery continuum and by measuring its shift on the basis of comparison with the already defined core and periphery.

The research at hand considered the three above-mentioned approaches in order to develop a specific methodology to operationalize the theory which would build on their strengths and try to overcome some of the limitations. Subsequently, a set of 25 indicators have been selected in line with Wallerstein’s key concepts, bearing in mind the need to account for the economic development, trade structure and patterns, social context and political system. The following criteria were compared when choosing the sources of the indicators:

- relevance and credibility of the source and methodology used,
- availability of data for all the 9 examined countries,

- annual measurement/calculation and publication whenever applicable and
- timeframe, preferably since the early 1990s until 2018.

The gathering of raw data was done via the Stata statistical software package, specifically utilizing the wbopendata and sdmxuse modules. wbopendata provides access to over 3000 series of indicators from the databases of the World Bank Group. sdmxuse gives access to data from statistical agencies using the SDMX standard. The agencies included are: European Central Bank, Eurostat, the IMF, the OECD, the United Nations Statistics Division (UNSD) and the World Bank. After the raw data was cleaned and processed in Stata, a pivot table was created in Excel for better navigation and user experience.

Economic and financial indicators:

1. GDP per capita is calculated as “*gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources*”².
2. Unemployment is defined as “*the share of the labor force that is without work but available for and seeking employment*”³ among the population aged 15+.
3. Price stability (inflation) measures the “*annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly*”⁴.
4. Fiscal stability – will be measured through the General Government Gross Debt, which “*consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future*”⁵.
5. Economic Freedom Ranking consists of 5 components: size of government, legal systems and property rights, sound money, freedom to trade internationally and regulation⁶.
6. Competitive Industrial Performance Index is a composite index calculated on the basis of 4 economic dimensions: production capacity, export capacity, intensity of industrialization and export quality⁷

² World Bank Open Data available at <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD> for individual countries.

³ Data provided by the International Labour Organization, available at <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>

⁴ Percentage calculated by the World Bank based on IMF data and international financial statistics, available at <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>

⁵ IMF data and calculations are used, available at https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/EURO/EU/USA/JPN/CHN

⁶ Ranking data is provided by Fraser Institute Canada and available at <https://www.fraserinstitute.org/economic-freedom/map?geozone=world&page=map&year=2016>

⁷ Index and ranking calculated by UNIDO (United Nations Industrial Development Organization), available at <https://stat.unido.org/cip/>

7. Research and development expenditure as percentage of GDP includes “*both capital and current expenditures in the four main sectors: Business enterprise, Government, Higher education and Private non-profit. R&D covers basic research, applied research, and experimental development*”⁸.
8. Infrastructure quality, as a component of the International Logistics Performance Index, which takes into account both physical infrastructure (ports, roads, airports, rail, warehouses and transloading) as well ICT⁹.
9. Gross average monthly wage includes “*total wages and salaries in cash and in kind, before any tax deduction and before social security contributions. They include wages and salaries, remuneration for time not worked, bonuses and gratuities paid by the employer to the employee*”¹⁰

Trade and investment:

1. Exports of goods “*refer to all movable goods (including nonmonetary gold and net exports of goods under merchanting) involved in a change of ownership from residents to nonresidents*”¹¹.
2. Exports of services refer to exports of “*intangible commodities that may be produced, transferred, and consumed at the same time*”¹².
3. Imports of goods “*refer to all movable goods (including nonmonetary gold) involved in a change of ownership from nonresidents to residents*”¹³.
4. Imports of services refer to imports of “*intangible commodities that may be produced, transferred, and consumed at the same time*”¹⁴.
5. Foreign Direct Investments (FDI) calculated as percentage of GDP are considered “*investments to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor, in the form of equity capital, reinvestment of earnings, other long-term capital, and short-*

⁸ Data calculated by UNESCO Institute for Statistics, available at <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>

⁹ Data is collected and processed by the World Bank and is available at <https://lpi.worldbank.org/international>.

¹⁰ UNECE data, available at https://w3.unece.org/PXWeb2015/pxweb/en/STAT/STAT__20-ME__3-MELF/60_en_MECCWagesY_r.px/?rxid=0806c85a-23f8-4249-a4d0-10980df459d1

¹¹ IMF Balance of Payments Statistics Yearbook, available at https://tcdata360.worldbank.org/indicators/trade.BX.GSR.MRCH.CD.ex?indicator=970&viz=line_chart&years=1960,2017

¹² IMF Balance of Payments Statistics Yearbook, available at https://tcdata360.worldbank.org/indicators/serv.BX.GSR.NFSV?indicator=1110&viz=line_chart&years=1960,2017

¹³ IMF Balance of Payments Statistics Yearbook, available at https://tcdata360.worldbank.org/indicators/trade.BM.GSR.MRCH.CD.im?indicator=971&viz=line_chart&years=1960,2017

¹⁴ IMF Balance of Payments Statistics Yearbook https://tcdata360.worldbank.org/indicators/serv.BM.GSR.NFSV.CD?indicator=1111&viz=line_chart&years=1960,2017

*term capital as shown in the balance of payments*¹⁵. FDI from and to the EU will be particularly examined.

6. Gross capital formation “*consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales*”¹⁶.

Social parameters:

1. Social inequality measured through the GINI index or “*the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.[...] A GINI index of 0 represents perfect equality, while an index of 100 implies perfect inequality.*”¹⁷
2. Poverty, measured as percentage of the population living below national poverty lines¹⁸.
3. Human development index takes into account the prospects for long and healthy life (through life expectancy at birth), knowledge (through expected and mean years of schooling) and decent standard of living (through gross national income per capita)¹⁹.
4. Human capital flight – measured through the number of emigrants originating from each of the 9 countries.²⁰

Political and institutional parameters:

1. Political stability and Absence of Violence/Terrorism “*measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.*”²¹

¹⁵ Data collected from International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates, available at <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

¹⁶ Data calculated using World Bank and OECD national accounts, available at <https://data.worldbank.org/indicator/NE.GDI.TOTL.ZS>

¹⁷ Data collected by World Bank Development Research Group, available at <https://data.worldbank.org/indicator/SI.POV.GINI>

¹⁸ Data is collected by World Bank’s Global Poverty Working Group and is available at <https://data.worldbank.org/indicator/SI.POV.NAHC?end=2012&locations=AL&start=2002&view=chart>

¹⁹ Data is collected through various UN databases and is available at <http://hdr.undp.org/en/data>

²⁰ UN Department of Economic and Social Affairs Population Division, International Migrant Stock by origin and destination, available at <http://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.shtml>

²¹ An indicator within the set of World Governance Indicators developed by the World Bank, available at <http://info.worldbank.org/governance/wgi/#reports>

2. Voice and accountability “*captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.*”²²”
3. Rule of law “*captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.*”²³
4. Government effectiveness “*captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.*”²⁴
5. Regulatory quality “*captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.*”²⁵
6. Corruption Perception Index measures the perceptions about the level of corruption in the public sector on a scale from 0 (highly corrupt) to 100 (clean)²⁶.

These indicators were measured for each of the 9 countries that are subject of the analysis for the period 1990-2018. Given the focus of the research – the impact of the process of European integration on the potential shift from the periphery to the semiperiphery and core, the countries were compared not on the basis of the same calendar year, but on the basis of the milestones in their EU accession process.

Given the different historical contexts in the countries and the specificities related to their relationship with the EU, due mostly to a changing approach towards enlargement throughout the years, the baseline value for each country was calculated at the moment when it established contractual relations with the EU or at the launch of the Stabilization and Association Process for the Western Balkan countries which did not have any previous relations with the EU. The next milestones include:

- entry into force of a Stabilization and Association Agreement
- candidate status,
- start of accession negotiations,
- accession,
- post accession period (ex. joining the Euro etc.)
- current or last available value

²² Ibid.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Data provided by Transparency International, available at <https://www.transparency.org/cpi2018>

Country	Launch of SAP-1999/ Establishment of contractual relations	Entry into force of SAA or Association agreement	Candidate status	Start of accession negotiations	Accession	Joining the EURO	Current value
Albania	1992	2009	2014	/	/	/	2018
Bosnia and Herzegovina	1999	2015	/	/	/	/	2018
Bulgaria	1990	1995	1997	2000	2007	/	2018
Croatia	1999	2004	2005	2005	2013	/	2018
Macedonia	1999	2004	2005	/	/	/	2018
Montenegro	1999	2010	2010	2012	/	2002 ²⁷	2018
Romania	1991	1995	1997	2000	2007	/	2018
Serbia	1999	2013	2012	2014	/	/	2018
Slovenia	1993	1999	1997	1998	2004	2007	2018

Table 1.4.1. EU integration milestones per country

²⁷ Montenegro unilaterally adopted the EURO currency, although it is still not an EU member state.

1.5. CONTRIBUTION OF THE RESEARCH

The research at hand aims to introduce a novel aspect to the study of European integration by introducing a theoretical framework which thus far has not been applied in this research context - Wallerstein's World-systems theory. Furthermore, the application of the theory itself will explore new methodology in order to improve the precision of its findings, extend the scope of its use and advance the existing scholarship.

First, World-systems theory has been developed on the basis of a research agenda which aimed to explain the functioning of the capitalist world-economy, the process of its becoming from feudalism and the possible transition to a new social order (socialism) (Goldfrank, 2000:165). It is strongly marked by a sociologist and long-term historicist perspective which the research at hand will not fully adopt. Instead, while not neglecting the most important historic processes that may have exercised certain influence, it will strive to develop a new applicability of the theory to explain contemporary developmental processes occurring in the past 30 years.

Second, while Europe, being the locus of the earliest world-economies, has occupied an important place in Wallerstein's writings, the region of the Balkans as such has not been the subject of in-depth analysis from the viewpoint of the World-systems theory. In that context, the added value of this research would be to test the applicability of one of the most prominent developmental theories in a new geographic region.

Third, the issues of European integration and the Europeanization process have been exhaustively analyzed from the angles of a very broad range of disciplinary approaches and theories in political science, economics, international relations, sociology etc. Nevertheless, given that Europe has been usually associated with the most developed parts of the world, the topical combination of the concept of Europeanization with the World-system theory, which in turn has found much larger grounds in explaining processes related to the so-called "Third world" is quite novel.

Fourth, while there have been several efforts to categorize different countries in some of the 3 groups – core, periphery, semiperiphery, there have not been many attempts to design a quantification model that will measure the shift from the periphery to the semiperiphery and the core. Thus, the introduction of objectively measurable indicators and indexes marks another added value to the general research in both the theory of world-systems and European integration. In addition, the methodology used for the analysis will be tailor made and replicable to the other CEE countries which could be the focus of future similar analysis.

1.6 RESEARCH STRUCTURE

The analysis is structured as follows: in Part II we will examine the trends of the 25 indicators in each of the 9 countries, focusing particularly on the identified EU integration milestones. We will also establish the correlation between internal processes that have occurred in the countries and the potential influence they may have had on the indicators, in order to verify whether and to which extent these processes have been complementary with the European integration. In Part III we will examine the connectedness and exchange of the region with the rest of the world-system, more specifically the external influences on the process of European integration and the shift from the periphery to the semiperiphery and core. Finally, we will draw some conclusions.

PART 2: COUNTRY ANALYSIS

2.1 GENERAL REMARKS

The 9 countries subject to analysis in this study largely share a common historical legacy: that of being in the Eastern bloc of countries, with close ties to the former Soviet Union and similar models of political and economic governance. The fall of the Berlin Wall and end of the Cold War, the disintegration of the Soviet bloc and the breakup of Yugoslavia opened a new chapter in the development of each of the 9 countries, marking the beginning of their so-called “return to Europe”.

Their ambition to join and resemble the Western “developed world” imposed on them the obligation to transform their overall societies and economies. The underlying reform that infused all the policies was the process of opening-up to the rest of the world. Opening-up of the economies through increased trade liberalization, opening-up of the institutions for greater transparency, public scrutiny and citizen participation, as well as opening-up of the people’s mentality to embrace the Western liberal values. While each country displays its own specificities in terms of domestic politics and policies, as well as exposure and reaction to external influences, they all share a set of commonalities which have been largely shaped by their desire to join the EU.

The disintegration of the Soviet bloc and Yugoslavia created chaos in the countries’ trade flows and obliged them to seek for ways to reintegrate themselves into the global economy (Broadman, 2005:2). All the countries made substantial efforts to leverage international trade as means to increase economic growth and welfare. In addition to pursuing free trade regime with the EU through Association Agreements, they engaged in negotiating and signing a large number of bilateral and regional agreements in the hope to increase their exports. At present, after Slovenia, Croatia, Romania and Bulgaria joined the EU, the other 5 countries remain signatories of the Central European Free Trade Agreement (CEFTA) established in 2006, which also includes Kosovo and Moldova. In addition, today they all have the EU and individual EU member states as the biggest trading partner, biggest investor and biggest source of development support (through a number of pre-accession and external action instruments for the 5 non-EU states and through the structural funds for the 4 EU members).

Box 2.1. EU Association Agreements

EU Association Agreements represent the legal framework in force during a country's EU accession process. They are signed on the basis of Article 217 TFEU and aimed to strengthen third countries' economic and political ties with the EU. Although they may bear different names, they are the most "privileged" form of cooperation agreement that a country can have with the EU, short of fully fledged membership.

The 12 countries that acceded in 2004 and 2007 had signed Europe Agreements. The precondition was for them to be democratic market economies which uphold the rule of law, respect for human rights and free and fair elections. Following their accession to the EU, the agreements ceased to exist. The Balkan countries signed Stabilization and Association Agreements in the framework of the Stabilization and Association Process launched by the EU in June 1999. While being tailored to the specific situation of each country, Stabilization and Association Agreements largely serve the same purpose by:

- providing legal basis for free trade between the country in question and the EU;
- creating basis for the provision of financial assistance in the form of pre-accession instruments (CARDS, PHARE, IPA etc.);
- establishing regular structured dialogue through paritary bodies at both technical and political level in all the areas covered by the EU acquis and the accession process;
- encouraging regional cooperation;

The short-term economic benefits for the countries signing Association Agreements with the EU are subject of a scholarly debate. This stems from the fact that both the countries signing Europe Agreements and those signing SAAs had already obtained unilateral trade preferences from the EU through the Generalized System of Preferences of the WTO or previous bilateral agreements, while the Association Agreements, although with asymmetric deadlines for both parties, required reciprocity. In addition, certain export goods of great importance for the Balkan countries, such as agricultural and textile products, coal and steel were negotiated as sensitive goods under special protocols with lower trade concessions. They contain strict safeguard, anti-dumping and rules of origin clauses that the EU could invoke to protect its market or industry, to the detriment of the second party.

Nevertheless, SAAs hold strong symbolic value and contain a strong normative dimension. They give aspiring countries the much-needed membership perspective, encourage them to move forward with the reforms and can be suspended or even terminated in case of non-compliance. The first country to have an SAA enter into force was Macedonia in 2004 and the last one Bosnia and Herzegovina in 2015. Croatia's SAA lapsed when it joined the EU in 2013.

The transition period implied a set of behind-the-border structural and institutional reforms including, but not limited to trade liberalization and facilitation, market deregulation, strengthening of competition policy, private sector development, business-oriented measures aimed to attract FDI, privatization of public enterprises, infrastructure development, judiciary and governance, etc. The reforms were mutually reinforcing and synergetic with the EU accession agenda. However, they oftentimes colluded with vested interests within the countries' elites and created winners and losers. The political will of the governments to pursue the reforms even at substantial political costs and their capacity to balance and offset the losses have been crucial for the speed and success that different countries achieved in terms of improving the economic prosperity and quality of life for the majority of the population. It also had an impact on both the speed and quality of their European integration process.

In addition, all the countries pursued membership in various international and regional organizations which further spurred change in different policy areas. For example, their accession to the World Trade Organization imposed a series of reforms leading to liberalized market access in global markets, significant reduction of non-tariff barriers, international rules for dispute settlement etc. Membership in the Council of Europe largely influenced the creation of national frameworks for the protection of human rights and upholding democracy, while at the same time nurturing positive change in the political culture in national institutions and political parties.

NATO's role in the region has been more nuanced. Some countries were eager to join in order to ensure protection against the potential Russian threat, like Romania. Others have seen NATO through the rather negative lens of their own experience in dealing with the organization, like Serbia which at present does not contemplate joining but takes part in certain NATO activities as a partner. A third group, while not being directly threatened by Russia, joined NATO driven by the regional geopolitical situation, the desire to show closer affiliation with the Western allies and resist potential influence by non-Western powers, which is the case of Albania, Croatia and Montenegro.

2.2. ALBANIA

Territory: 28.748 km²

Population: 2,876,591 (2017 estimate) / 2,821,977 (2011 census)

Relations with the EU:	
1992	Conclusion of Trade, Commercial and Economic Cooperation Agreement
1999	Launch of the Stabilization and Association Process
2009	Entry into force of the Stabilization and Association Agreement
2014	Candidate status

2.2.1 Background

Albania is the only remaining non-EU country in the Balkans which was not member of Yugoslavia. It was however a member of the Warsaw Pact and the last country in the region to break up with communism in 1992. Following several decades of isolationist foreign policy, that same year the country launched its policy of opening-up and warming-up of relations with the Western countries. That same year, it also concluded a Trade, Commercial and Economic Cooperation Agreement with the EU, definitely marking its adherence to the values of the so-called Helsinki Process – democracy and respect for human rights and freedoms. In addition, the Agreement provided a contractual framework for the development of bilateral relations with the EU, including in the area of trade on the basis of the Most Favored Nation (MFN) principle and in the area of development assistance, making the PHARE assistance available for Albania. However, unlike the agreements signed around the same time with the Baltic and Visegrad countries, it did not provide any membership prospect.

The decades which followed brought intermittent waves of economic reforms and progress and waves of political instability and turmoil which oftentimes hindered development. One of the most notable episodes was the collapse of the government-supported Ponzi pyramid schemes in 1997, which led to political crisis, massive violent protests and even a civil war. A UN Peacekeeping Mission – Operation Alba, led by Italy, was deployed to restore peace and help the country to recover. Dissatisfaction with the government and occasional public unrest has been recurrent ever since, oftentimes undermining the focus on the reform agenda necessary for EU membership.

The launch of the Stabilization and Association Process in 1999 put the country in the camp of the “EU potential candidate countries”. It also paved the way for the conclusion of a Stabilization and Association Agreement which entered into force in 2009 and allowed for free trade regime with the EU. The same year Albania applied for EU membership, but was not granted candidate status until 2014. It has been waiting to open accession talks ever since.

Furthermore, the country has been continuously struggling with high rates of organized crime which even nowadays remain among the key points raised by the European Commission in the regular progress reports, alongside widespread corruption, weak judiciary and lack of administrative capacity. It is also one of the arguments frequently invoked by EU member states for not granting the country a date to start accession talks. Nevertheless, it was not an obstacle to the country joining NATO in 2009. The decision was on one hand motivated by the country's desire to further align with the West and especially the USA, which Albania considers its greatest ally, and on the other hand by the country's geostrategic position and the broader regional geopolitical landscape.

The Albanian economy is based on three pillars: services which contribute to half of its GDP, agriculture and industry which account for a quarter each. In terms of services, tourism has been playing an increasingly prominent role with an average annual growth of 16.6% in the past 10 years. In addition, as contribution from the large Albanian Diaspora who emigrated especially in the 1990s, remittances occupy a large share in the GDP, with an average of 15.24% in the past 25 years, thus exceeding the percentage of FDI.

Box 2.2. Fight against organized crime - key reform on Albania's path towards EU membership

The unpleasant "legacy" of relating Albania to organized crime is anchored in a combination of a number of country-specific economic, social and political aspects, such as: transition from a totalitarian regime with a stringent policy on crime, to a fragile democracy with weak and unconsolidated institutions, and institutional staff without sufficient education and/or experience; chaotic situation post-1997 with the collapse of the pyramid schemes; lack of institutional independence, and endemic corruption in the police and law-enforcement agencies; lack of political stability for more than two decades; weak economy with high levels of unemployment and insufficient earnings per capita (one of the lowest in the continent); continuous immigration waves, importing experiences and criminal connections obtained abroad; support from members of the Albanian diaspora (Zhillia, Lamalari, 2018).

Thus, fight against organized crime has been one of the top priorities on Albania's EU agenda. The tasks required and evaluated by the European Commission in its annual progress reports include establishing a solid track record of pro-active investigations, prosecutions and final convictions, including at high level; dismantling organized crime groups; countering cultivation and trafficking of drugs; systematic judicial follow up to successful law enforcement operations; establishing a National Bureau of Investigation. Despite significant results achieved in the past few years which led to the European Commission providing a recommendation to the Council for Albania to open accession talks, it still seems that important progress needs to be done before EU member states are convinced to grant the country a date to start the EU negotiations.

2.2.2 Key Findings

The changes of the Albanian society following the fall of communism in 1992 have been profound and challenging. It not only had to radically change its political system and the structure of its economy, but also adapt in terms of mindset to the Western liberal values and market principles. In addition, it needed to undergo a fast-track catching up process in order to come close, if not to the EU standards, at least to the standards of the ex-Yugoslav countries in the region. This is most visible in the nearly 23-fold increase in terms of GDP per capita, from 201 USD in 1992, to 4.538 in 2017, as well as in the 15-fold increase in terms of salaries, from 23.8 USD in 1992 to 300.8 USD in 2016, with 2008 marking an even higher increase to 406.6 USD.

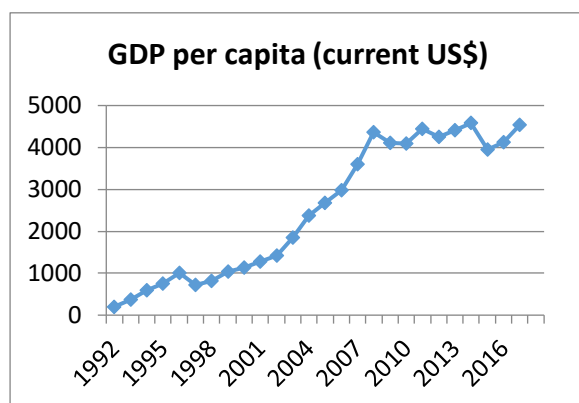


Chart 2.2.1. Albanian GDP per capita, 1992-2017

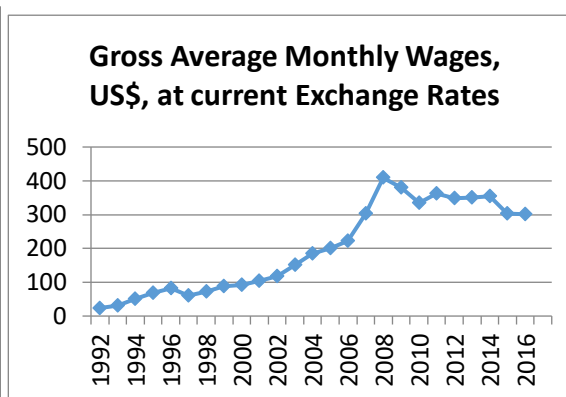


Chart 2.2.2. Gross average monthly wages in Albania, 1992-2016

This process has been accompanied by increased price stability, especially after 1999, with inflation rates not exceeding by much the European norms and the end of the European crisis and especially after 2013 constantly below the 2% threshold. However, it has thus far failed to put under control and within EU accepted limits the level of Government debt which since 2013 lingers over 70%. At some point, between 1997 and 2007 it was headed downwards and was reduced to 53.6%. However, ever since the launch of Albania's biggest infrastructure project – the so-called Nation's Highway, which links it to Kosovo, the debt has been spiraling up, with projections that it would reduce in the forthcoming years. However, this acts as impediment to the implementation of other major infrastructure projects since the country is unable to take up any more debt. This can be also observed in the lessened ambition to engage in capital investments, with the gross capital formation rising from 5.66% of GDP in 1992 to 41.45% in 2003 and then dropping again to 24.89% in 2017.

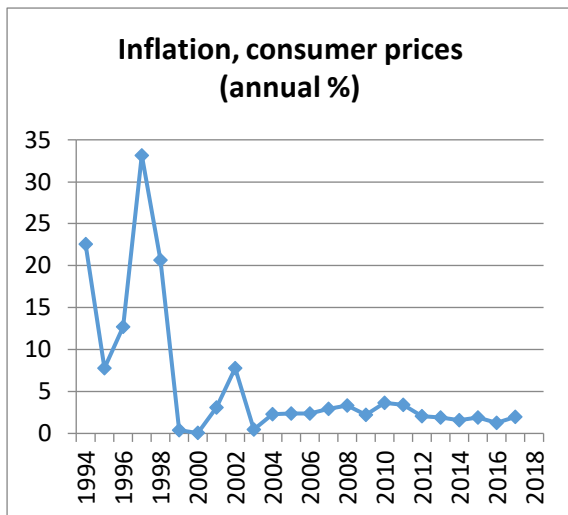


Chart 2.2.3. Albanian inflation rates, 1994-2017

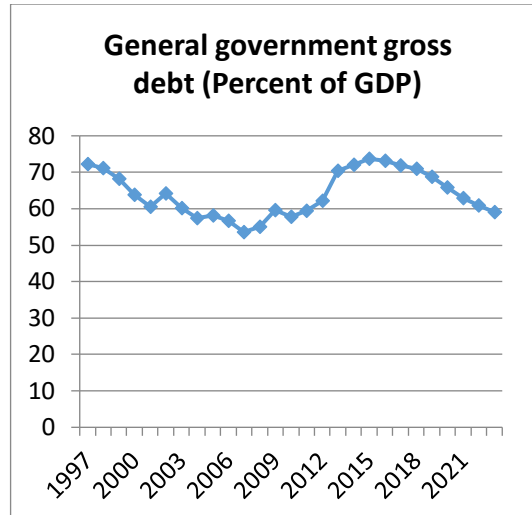


Chart 2.2.4. Albanian government debt, 1997-2017

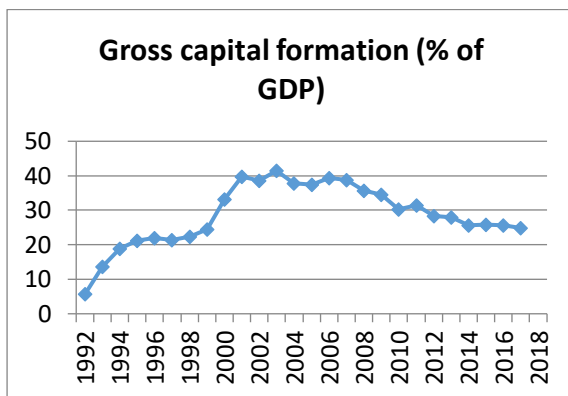


Chart 2.2.5. Gross capital formation in Albania, 1992-2017

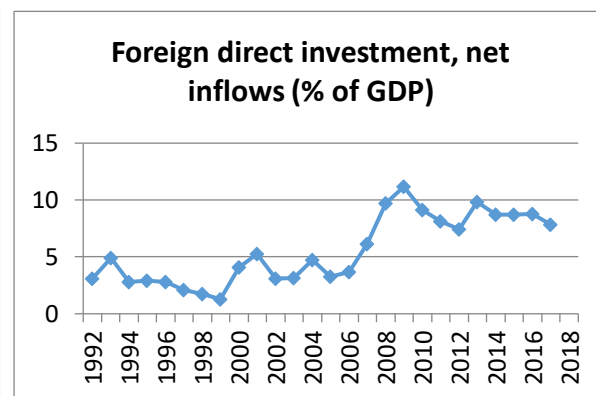


Chart 2.2.6. FDI inflows in Albania, 1992-2017

FDI have been one of the main drivers of Albanian economic development. Economic reforms in the aftermath of the 1997 civil war have led to 10 times increase of FDI, from 1.28% of GDP in 1999 to 11.16% in 2009. Ever since the global financial and European sovereign debt crisis, the level of FDI has been fluctuating between 8-10%. This coincided with the level of exports which also hit a record low in 1997, but increased 15 times in terms of goods by 2013 and staggering 382 times in terms of services by 2017. When it comes to imports, there has been a steadier rising tendency with imports in goods increasing 8 and imports in services 23 times.

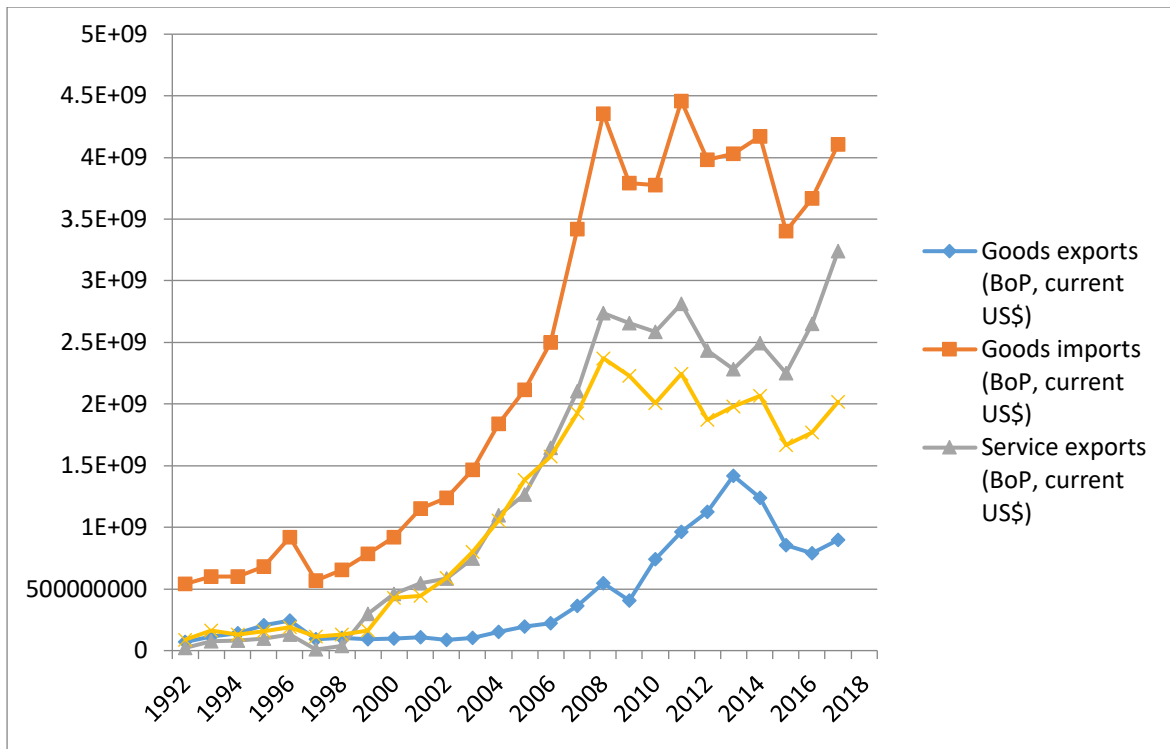


Chart 2.2.7. Albanian trade in goods and services, 1992-2017

The significant increase in imports is a clear indicator of the increase in domestic consumption as a result of the higher wages and the improvement in living standards. This is also reflected in the drop of the unemployment rate from record 25% in 1994 to 14% in 2017 and in the reduction of the number of people living in poverty from 25.4% of the population in 2002 to 14.3% in 2012. Moreover, the improvement in the Human Development Index from 0.61 in 1992 to 0.79 in 2017 implies that healthcare, education and overall quality of life also improved. However, until present day, the remarkable economic progress has not prevented the massive emigration and brain drain. According to UN statistics, the total number of Albanian emigrants living abroad increased from 179.490 in 1990 to 1.148.144 in 2017, although there are reasonable doubts that the numbers may be even higher.

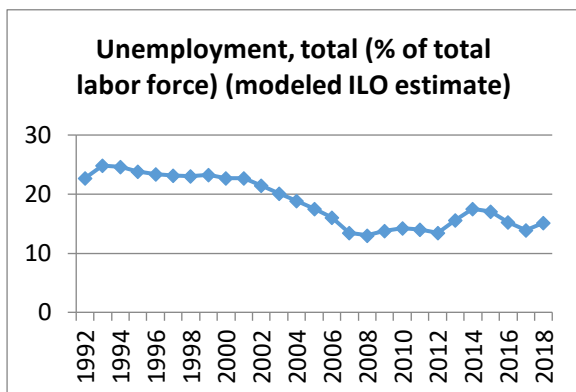


Chart 2.2.8. Albanian unemployment rate, 1992-2017

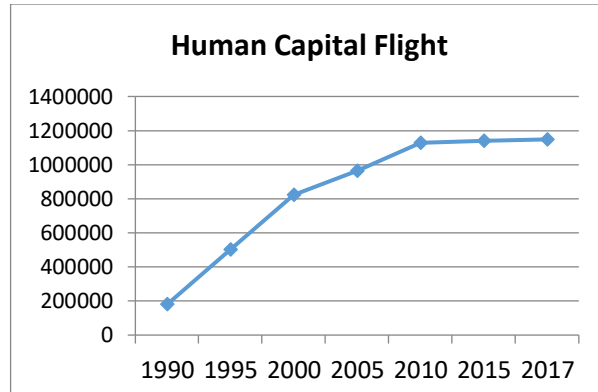


Chart 2.2.9. Human capital flight from Albania, 1990-2017

Year	1992	1997	2002	2007	2012	2017
HDI	0,61	0,641	0,682	0,72	0,767	0,785

Table 2.2. 1. Albanian Human Development Index, 1992-2017

The economic reforms and progress have been teamed with improvements in terms of the political criteria necessary for EU membership, although this change has been slower and not as salient. Following the civil war, despite occasional public protests, there has been increased political stability and penchant for strengthening of the democratic processes. In addition, the institutions have been building their capacities which led to increased government effectiveness and better regulatory quality. However, rule of law remains one of the aspects where very little progress has been made and significant improvement is needed.

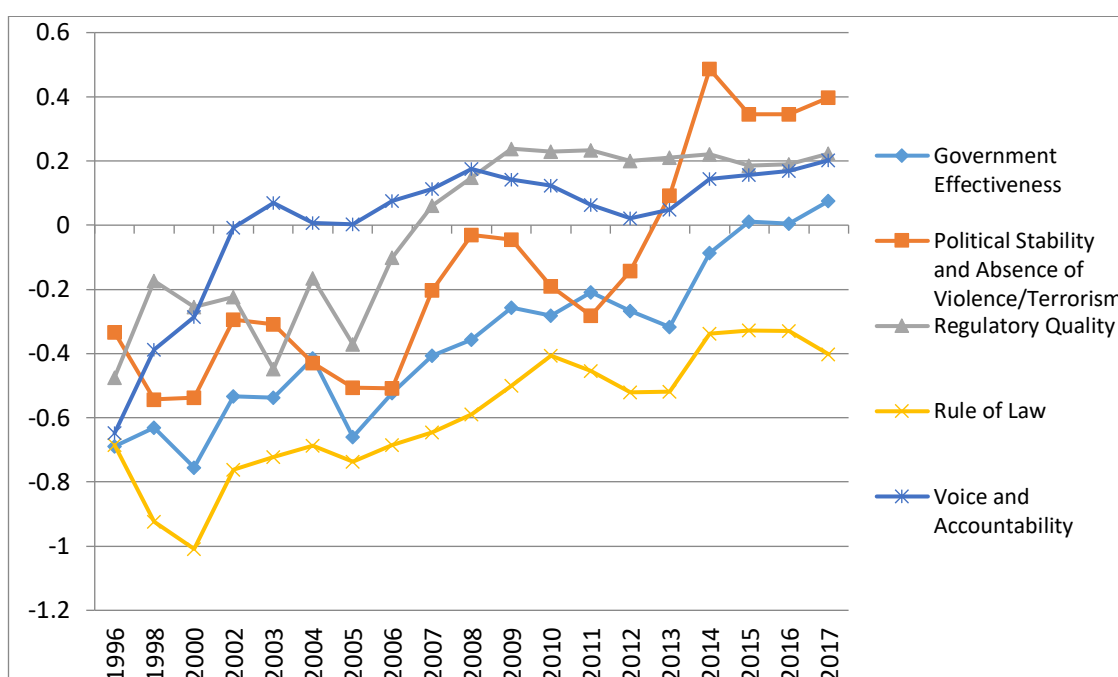


Chart 2.2.10. Albanian political parameters, 1996-2017

2.3. BOSNIA AND HERZEGOVINA

Territory: 51.129 km²

Population: 3.531.159 (2013 census)

Relations with the EU:	
1999	Launch of the Stabilization and Association Process
2008	Signature of the Stabilization and Association Agreement
2015	Entry into force of the Stabilization and Association Agreement

2.3.1. Background

Bosnia and Herzegovina is probably the country that has suffered the most devastating and long-term consequences of the post-Yugoslav wars. Not only it lost 20% of the population, 60% of its GDP and a great deal of its physical infrastructure, but its general revival and reconstruction has been underway in much more complicated circumstances and at a much slower pace. The Dayton Agreement signed in 1995, which led to the end of the war and laid the foundations for the subsequent state-building process remains at the core of the political system and continues to shape the broader societal contours. While its contribution to reestablish peace has been undisputed, its impact on the future development and prosperity of the country has been subject to criticism.

Today's Bosnia and Herzegovina, struggles with its constitutional design which polarizes domestic politics on basis of ethnicity, religion, language, alphabet and politics, to name but a few. Its political system is by far one of the most complex in the world with a total of 2 distinct entities: the Federation of Bosnia and Herzegovina, and Republika Srpska; and a self-governing administrative unit that is multiethnic and belongs to both entities District of Brčko. The territory is divided into 10 cantons and 137 municipalities. The country has 3 Presidents and 13 governments each with its own competencies and bureaucratic apparatus. The vested interests for different stakeholders in the political patchwork hinder the reform process and make progress in any area extremely slow. In addition, the country is still under international protectorate with a foreign High Representative in office with a mandate and authority which often bypass and/or supersede the democratically elected institutions.

Bosnia and Herzegovina's perspective to become an EU member in future has been undisputed since 1999, when the country became a part of the Stabilization and Association Process. Ever since, progress on the EU accession path has been extremely sluggish for a number of reasons. The very start of SAA negotiations in 2003 was conditioned by the implementation of reforms in 16 key areas, including police and media reform which appeared to be most contentious and difficult to deliver. The softening of EU's position led to the start of negotiations in 2005 and the signature of the SAA in 2008. The ratification process by all EU member states took almost 3 years and it took additional 3 for the country to fulfill the additional conditions set by the EU for the SAA to enter into force.

For several years the European Union did not present a clear opinion on the protectorate status of Bosnia and Herzegovina and whether the country could officially apply for and become an EU candidate while still being under the international jurisdiction of the High Representative. Following a period of uncertainty and given the unclear perspective as to when the country would be deemed politically stable and mature enough for the Office of the High Representative to be dismantled, in 2016 the state government officially submitted its EU membership application. The European Council invited the Commission to present an opinion on Bosnia and Herzegovina application.

Box 2.3. ECHR Sejdic-Finci judgement – Bosnia and Herzegovina’s insurmountable obstacle to the EU?

There have been several attempts to devise a constitutional reform and restructure the country in order to facilitate the fulfillment of the requirements in the EU accession process, which included inter alia the adoption of a law on state aid, national census and the implementation of the Sejdic-Finci judgment of the European Court for Human Rights in Strasbourg. The later appears to be the most delicate demand to implement since, in the current consociational power sharing among the 3 biggest ethnic communities in Bosnia and Herzegovina, it may disturb the ethnic balance and possibly lead to new tensions.

According to the Dayton Agreement and the national Constitution adopted as its annex, the elected office of Member of the Bosnian Presidency and Member of Parliament are reserved for the 3 ethnic groups recognized by the Constitution – Bosniaks, Serbs and Croats, in a strictly defined proportional representation. This excludes ethnic minorities and deprives them of the possibility to run for the Presidency, which is against the European Convention for Human Rights to which Bosnia and Herzegovina is a signatory. Thus, Dervo Sejdic, an ethnic Roma and Jakob Finci, an ethnic Jew, contested the Constitutional provision in the European Court for Human Rights in Strasbourg in 2006 and 3 years later obtained a judgment in their favor.

However, almost 10 years after the Court announced its position, Bosnia and Herzegovina has still not complied because of internal resistance. While the Council of Europe has limited means to oblige the country to change its Constitution, the European Union has been consistent in its insistence that Bosnia and Herzegovina removes the ethnic discrimination for elected office. It took a strong diplomatic initiative on behalf of Croatia, the UK and Germany in 2014 for the SAA to enter into force despite the fact that Bosnia and Herzegovina had implemented only 2 out of the 3 key requirements by the EU – law on state aid and national census, but not the constitutional amendment.

However, while the European Commission accepted and reviewed the country’s application for membership in 2016, it has still not recommended to the EU Council of Ministers to officially grant Bosnia and Herzegovina the candidate status. Instead, in its 2018 Western Balkans Enlargement Strategy, it opts for a vague formulation that ‘with sustained effort and engagement, Bosnia and Herzegovina could become a candidate for accession’. This leaves Bosnia and Herzegovina in the camp of potential candidate countries (alongside Kosovo), with reduced access to pre-accession funds and other privileges that candidate countries may have.

2.2.2. Key findings

Almost 25 years after the signature of the Dayton Agreement which includes in its annex the state Constitution, Bosnia and Herzegovina is one of the poorest countries in Europe and displays a very weak performance in a number of parameters related to economic outlook, social welfare, political stability, rule of law and institutional capacity. The current political and institutional set up provided for in the Dayton Agreement and the multi-layered governance system often act as impediments to swift and efficient reforms and to the full post-war recovery, especially in the economy. Furthermore, even at administrative levels that are not related to the Dayton Agreement, other reasons such as the lack of democratic political culture and the large bureaucratic administration make the country to a certain extent dysfunctional.

This has been reflected in the parameters related to the business environment which are significantly lower in comparison to the countries in the region and for some indicators, i.e. regulatory quality or government effectiveness, still in the negative. The biggest challenges include the shift from consumption to investment, from imports to exports and from public-centered to private-centered policies, as well as the prevalence of the hidden economy and corruption. In addition, the work-force exodus during the war, with an estimated 800.000 people that have left the country and the structural challenges related to persistently high unemployment further aggravate the situation. As a consequence, the level of FDI is low and especially in the post-crisis period fails to catch up with the pre-crisis solid rate.

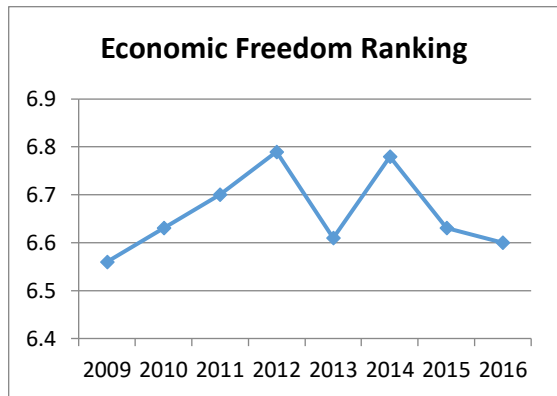


Chart 2.3.1. Economic Freedom Ranking of BiH 2005-2016

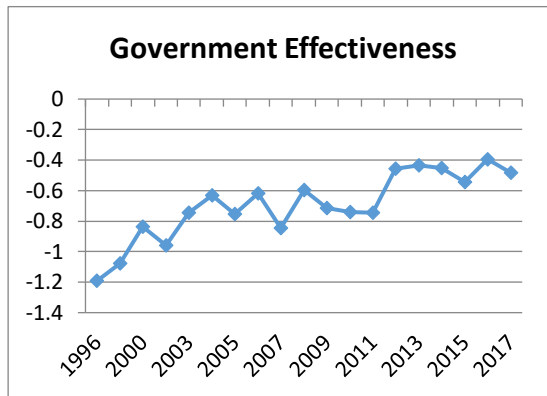


Chart 2.3.2. Government Effectiveness in BiH, 1996-2017

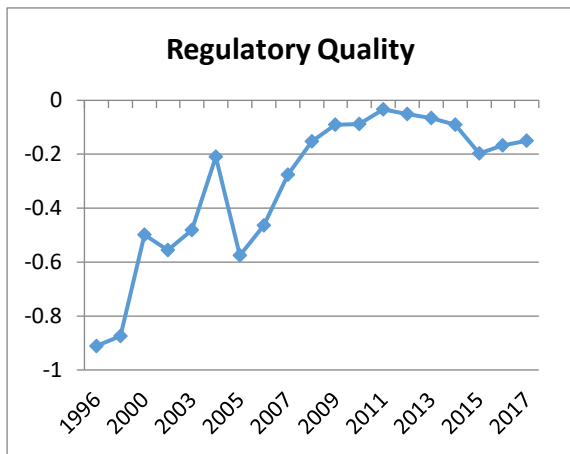


Chart 2.3.3. Regulatory quality in BiH, 1996-2017

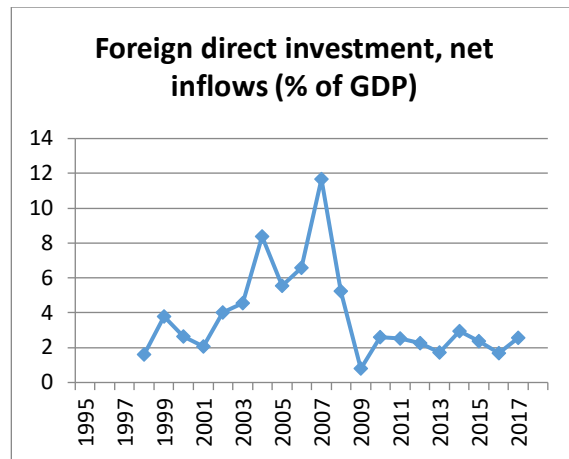


Chart 2.3.4. FDI inflows in BiH, 1998-2017

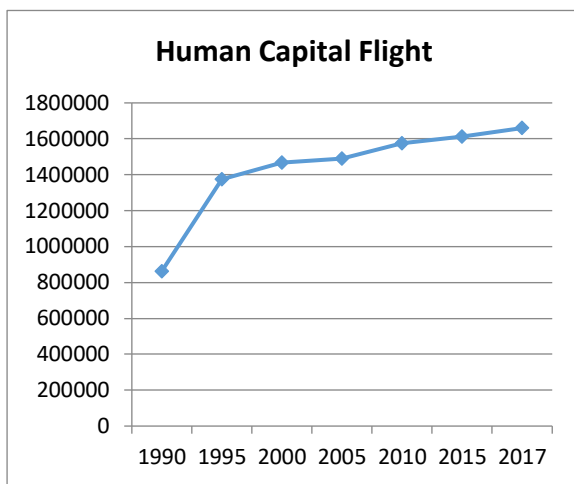


Chart 2.3.5. Human capital flight from BiH, 1990-2017

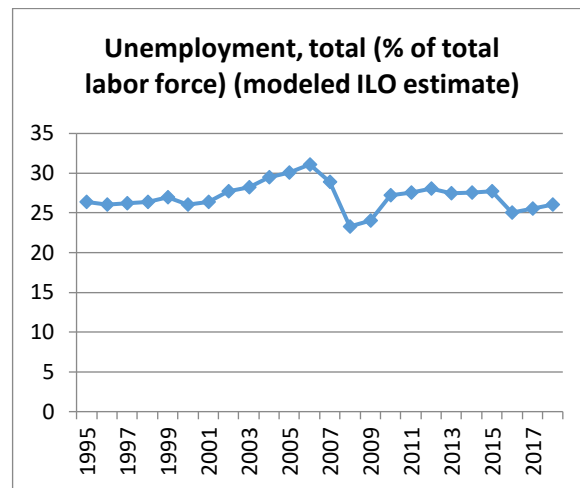


Chart 2.3.6. Bosnian unemployment rate, 1995-2017

Nevertheless, given the afore-mentioned constraints, certain level of progress has been made. For instance, since the end of the war and with the exception of the period during the European financial and sovereign debt crisis, GDP per capita has been steadily rising from 318 USD in 1994 to 5.148 USD in 2017, along with the gross average salary rising from 229 USD in 1997 to 761 USD in 2017. The government debt has been declining and under control, while the solid industrial base developed during Yugoslavia has been improving and serving as one of the pillars for renewed economic growth.

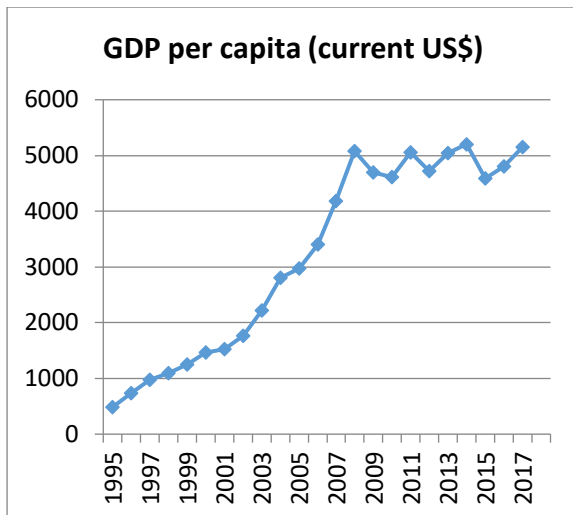


Chart 2.3.7. Bosnian GDP per capita, 1995-2017

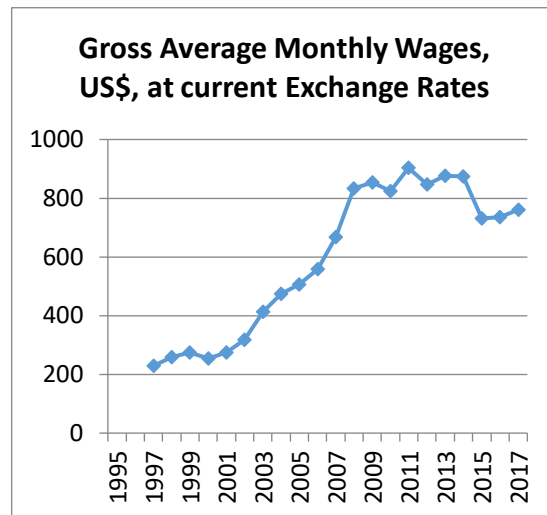


Chart 2.3.8. Bosnian average monthly wages, 1997-2017

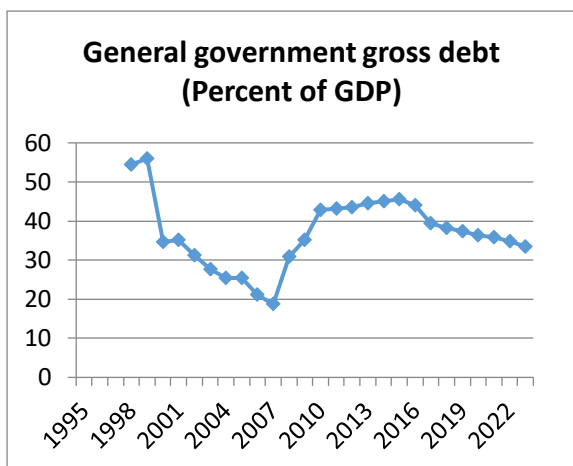


Chart 2.3.9. Bosnian government debt, 1998-2018

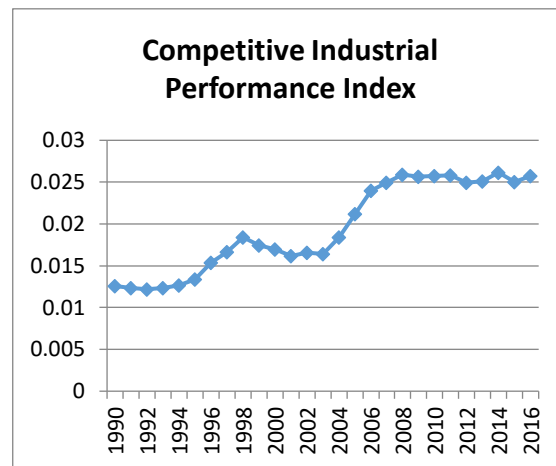


Chart 2.3.10. Bosnian CIP index, 1990-2017

Although it is too soon to speak about a tendency, following the entry into force of the SAA, trade in goods has picked up, leading to an overall increase of 8.2 times in exports and 2.6 times in imports. Regarding the trade in services, it has also been increasing, contributing to 4.1 times growth in exports and 2.1 times in imports since the reference year, 1998. Bosnia and Herzegovina's currency – the Convertible Mark is strictly pegged to the Euro, which contributes to high price stability.

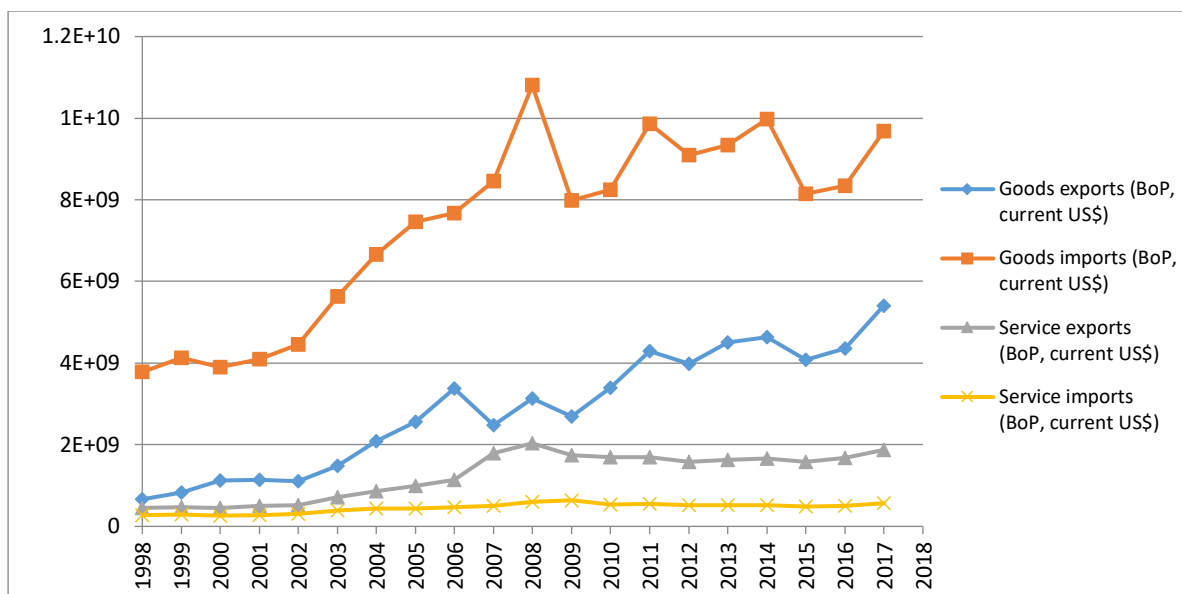


Chart 2.3.11. Bosnian trade in goods and services, 1998-2017

In terms of social welfare, the poverty ratio stands relatively low at 16.9% in 2015, while the human development index has greatly improved in the past 20 years, from 0.672 in 2000 to 0.768 in 2018. On the other hand, political criteria are still lagging behind, with the indicators in terms of rule of law, voice and accountability and political stability lower than the other countries in the region.

Year	2000	2003	2006	2009	2012	2015	2016	2018
Human Development Index (HDI)	0,672	0,688	0,706	0,72	0,739	0,755	0,766	0,768

Table 2.3.1. Bosnian Human Development Index, 2000-2018

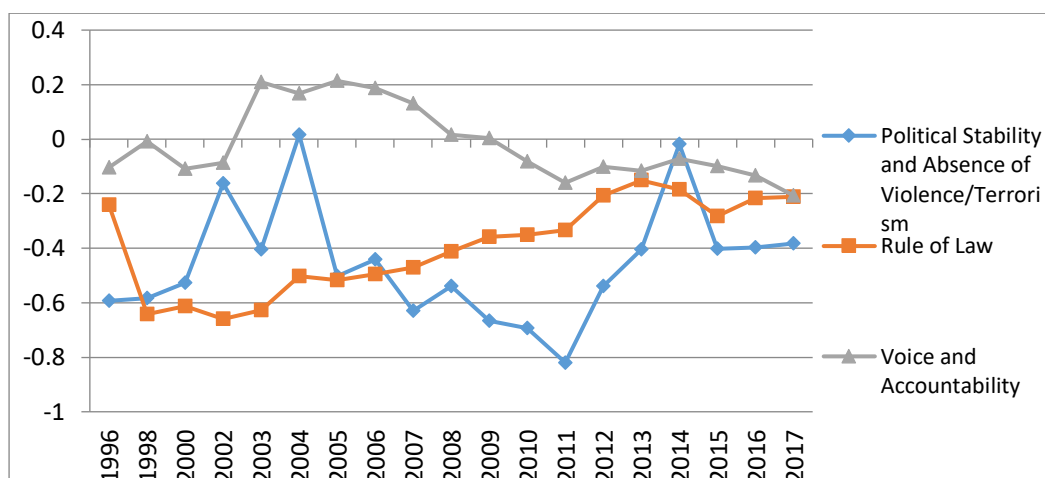


Chart 2.3.12. Bosnian political parameters, 2000-2018

2.4. BULGARIA

Territory: 110.994 km²

Population: 7.050.034 (2017 estimate)

Relations with the EU:	
1993	Signature of a Europe Agreement
1995	Entry into force of the Association (Europe) Agreement
1997	Candidate status
2000	Start of the accession negotiations
2004	Closure of the negotiations
2007	Bulgaria joins the EU

2.4.1. Background

Street protests on environmental issues in 1989 which turned into a broad movement for political reform were in the origin of the fall of communism in Bulgaria. The first free elections since 1931 took place in 1990, leading to the formation of a government by the newly created Socialist, or re-branded Communist party. However, the numerous challenges and in many respects failed transition period in the first decade of independence led to massive disappointment and even nostalgia for the communist times. 1996 was a particularly difficult year marked with hyper-inflation, unemployment, big drop in terms of salaries, enormous budget deficit, huge public debt and international isolation. It was not until 1997 that the prospects lightened up, due to 2 major events: the victory at the early elections of a reformist government and the clearly expressed determination of the EU at the Luxembourg Summit to engage in accession talks with 10 CEE countries and Cyprus, including Bulgaria in the second batch that was not to start negotiations immediately, but prepare for the process.

Bulgaria started the EU accession negotiations in 2000 and finished them in 2004. The years in between as well as those that followed were marked with a number of EU-oriented reforms which largely contributed to increased economic stability and prosperity for the country. However, political reforms did not follow at the same pace. According to the assessment reports published by the European Commission, at the time of signature of the Accession Treaty in 2005, Bulgaria's judicial and law enforcement structures "*lacked the necessary capacities to implement and apply the measures adopted to establish the internal market and the area of freedom, security and justice*" (Markov, 2010). Therefore, 3 safeguard clauses were integrated in the Accession Treaty to stay in force for a period of 3 years from the date Bulgaria was to become EU member state, until 1 January 2010:

- General economic safeguard clause which allows member states to take action in case Bulgaria's accession negatively affects certain aspects of their national economies;
- Specific internal market safeguard clause which allows the European Commission to take action in case Bulgaria does not properly implement some acquis related to the

internal market and thus creates negative cross-border effects or distortion in the functioning of the single European market, especially in the chapters of competition, energy, transport, agriculture, telecommunications, agriculture and consumer and health protection.

- Justice and home affairs safeguard clause that the Commission can adopt measures in case of deficiencies in the areas of criminal or civil law.

These safeguard clauses were also related to the adoption in December 2006 of the Cooperation and Verification Mechanism (CVM) for Bulgaria and Romania which was supposed to replace the pre-accession instruments intended to measure the country's progress in these areas.

Box 2.4. Bulgaria - an EU member (not) equal to the others?

The Commission estimated that even at the time of accession, Bulgaria (as well as Romania which joined at the same time) lacked progress in certain issues related to the judiciary and law enforcement. In order to better monitor the commitments undertaken by the Bulgarian authorities and exert pressure if needed, it opted for an unprecedented case in the history of enlargement policy and introduced the CVM which included 6 benchmarks or targets to be addressed by Bulgaria. They include:

- Constitutional amendments to strengthen judicial accountability and independence;
- New Judicial System Act and Civil Procedure Code to enhance judicial transparency and efficiency;
- Reform to improve judicial professionalism, accountability and efficiency with annual impact evaluations;
- Track record of professional and non-partisan investigations into allegations of high-level corruption;
- Further measures to combat corruption especially at the borders and in local authorities;
- Strategy for and track record of combating organized crime.

The fact that the CVM is not accompanied with specific tools or indicators to measure progress makes it a rather political and arbitrary instrument. In addition, it is an obstacle to Bulgaria joining the Schengen zone, despite the fact that it has fulfilled all the technical conditions already several years ago. Since the decision to establish the mechanism does not foresee an end date, the European Commission has the discretion to judge whether all the benchmarks have been met and to propose to the Council the end of its application. The last report published by the Commission in November 2018 praises Bulgaria for the continuous reforms and for having fulfilled 3 out of the 6 benchmarks. It also opens the possibility, if such progress continuous throughout 2019, that Bulgaria leaves the CVM, which will also pave the way for its entry into the Schengen area.

In addition, 8 EU member states introduced transitional restrictions to the freedom of movement for Bulgarian workers for a number of years after the country became EU member in 2007, which remained in force for 7 years. However, at the end of the transition period in 2014, there were already 3 million Bulgarian nationals living and working in other EU member states. The problem of continuous emigration and especially brain drain continues to be one of the most worrisome for Bulgaria even today.

Regarding the adoption of the Euro, unlike previous enlargements when acceding countries were entitled to an opt-out, since the Big Bang enlargement onwards (2004 and 2007) all countries are obliged to join the Euro zone once they fulfill the Maastricht criteria. This means that, despite declining public support from the European financial and sovereign debt crisis onwards, Bulgaria will eventually need to adopt the European common currency. According to the last report published by the European Central Bank, in 2018 Bulgaria met 3 out of the 5 convergence criteria. It still needs to be a part of the Exchange Rate Mechanism II for 2 years and to fully align its legislation with the EU rules in terms of supervision of the financial sector, banking sector resilience and fight against money-laundering. Thus, despite its sound public finances and stable currency strictly pegged to the Euro, the earliest possible date for Bulgaria to join the Euro area is after 2022.

2.4.2. Key findings

The Bulgarian economy seemed unprepared to embrace capitalism in the beginning of the 1990s. Its otherwise competitive industry suffered from slow and oftentimes failed privatization deals, while the CIP decreased by one third until 1999. By 1996, GDP per capita dropped by nearly 50%, while FDI were virtually inexistent. The year 1997 marked hyperinflation of more than 1.000 percentage points and trade in goods nearly halved. Following popular unrest and protests which led to a change of government, since 1998 the economic prospects started to improve. The CIP fully recovered and FDI reached a record high of 31% of GDP in 2007, the year when Bulgaria joined the EU, before declining as a result of the crisis. GDP per capita increased 6.8 times, while trade in goods increased 9.1 times for exports and 10.3 times for imports. Public finances stabilized after the crisis with the inflation rate within EU-allowed limits from 2009 onwards and the gross government debt decreased from a record 79.4% in 1999 to 23.9% in 2017.

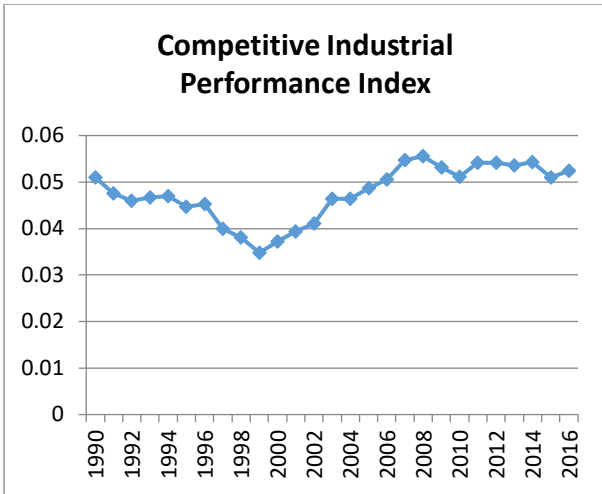


Chart 2.4.1. Bulgarian CIP, 1990-2016

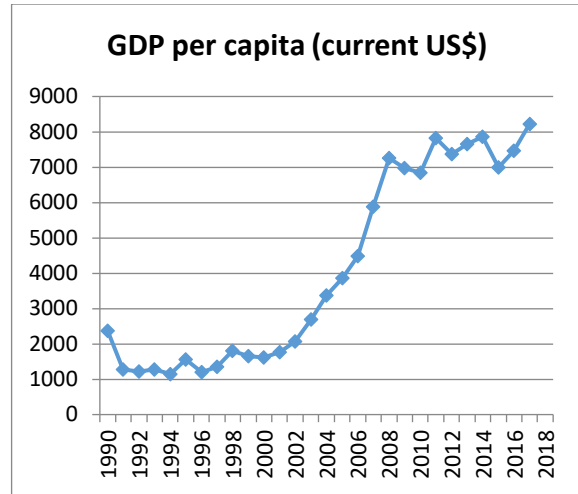


Chart 2.4.2. Bulgarian GDP per capita, 1990-2017

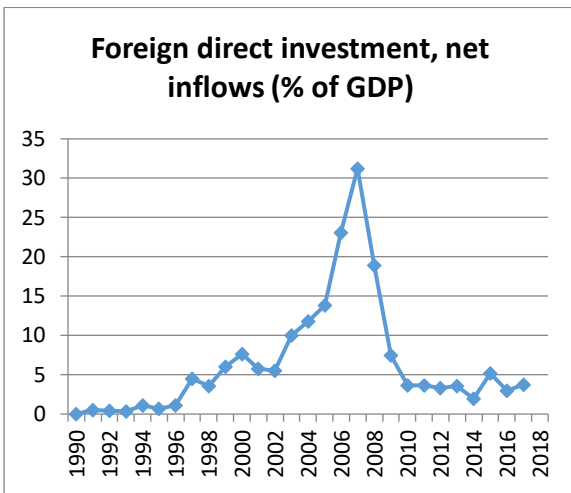


Chart 2.4.3. FDI inflows in Bulgaria, 1990-2017

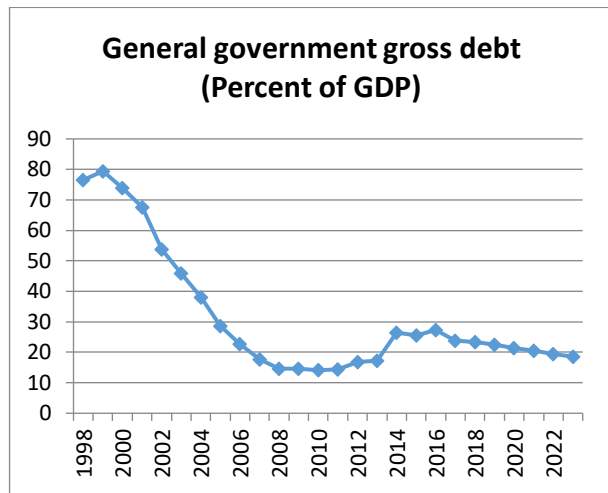


Chart 2.4.4. Gross government debt in Bulgaria, 1998-2017

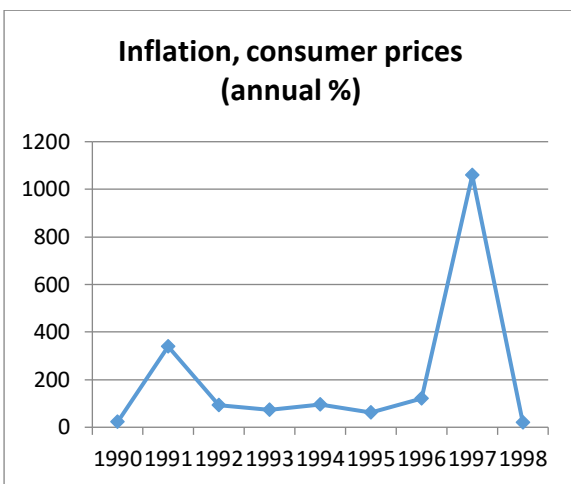


Chart 2.4.5. Inflation rate in Bulgaria, 1990-1998

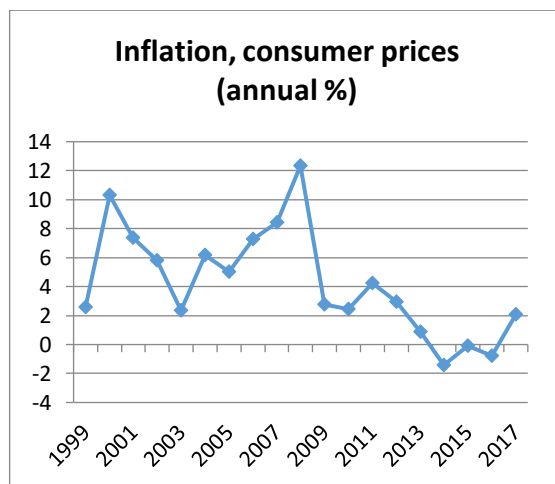


Chart 2.4.6. Inflation rate in Bulgaria, 1999-2017

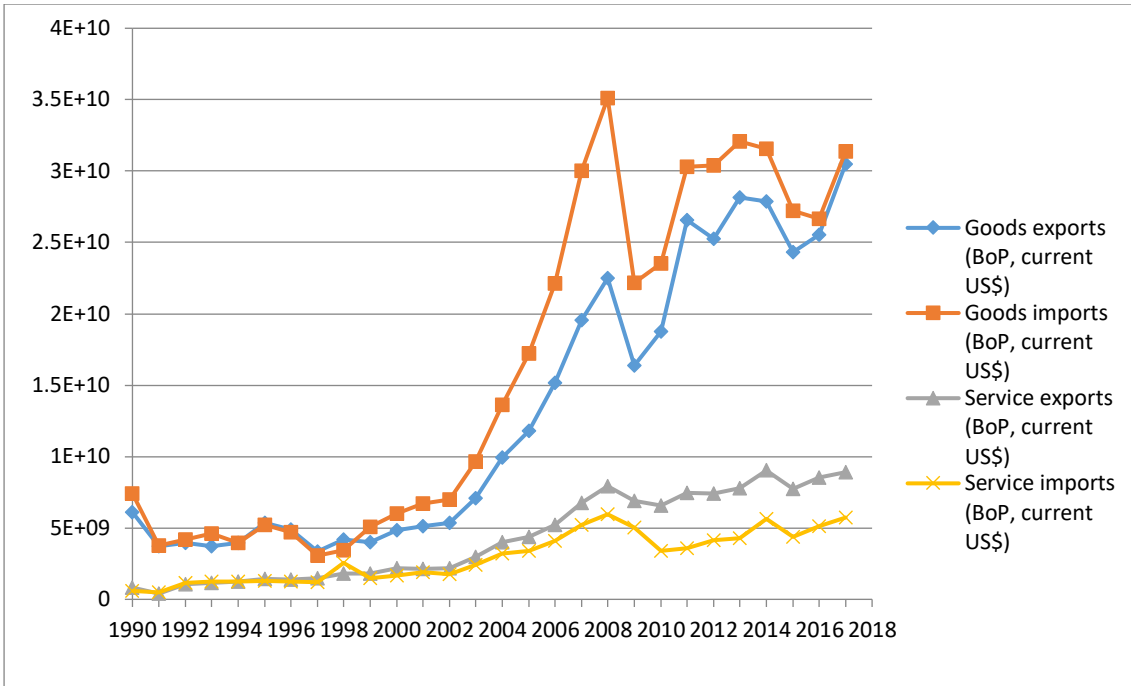


Chart 2.4.7. Bulgarian trade in goods and services, 1990-2017

The outstanding economic performance of the country in the past 2 decades led to a big improvement in its economic freedom ranking from 4.17 in 1990 to 7.41 in 2016, which meant that the country moved further in its transition process towards becoming a free market economy. At the same time, the success can be ascribed to economic policy reforms to improve the quality of the business environment, which has been marked by a jump in the regulatory quality index from -0.18 in 1996 to 0.63 in 2017, as well as a significant improvement in the effectiveness of the government institutions, from -0.04 in 1996 to 0.26 in 2017.

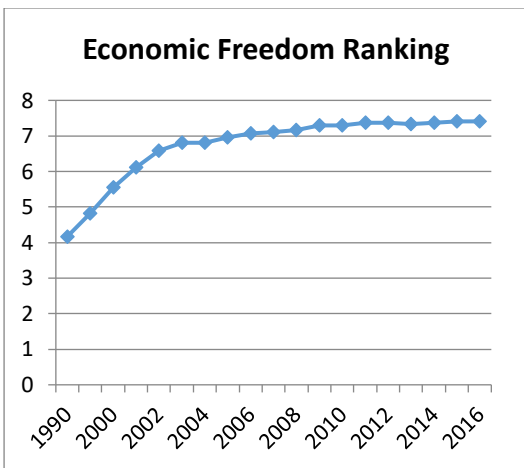


Chart 2.4.8. Economic freedom ranking of Bulgaria, 1990-2016

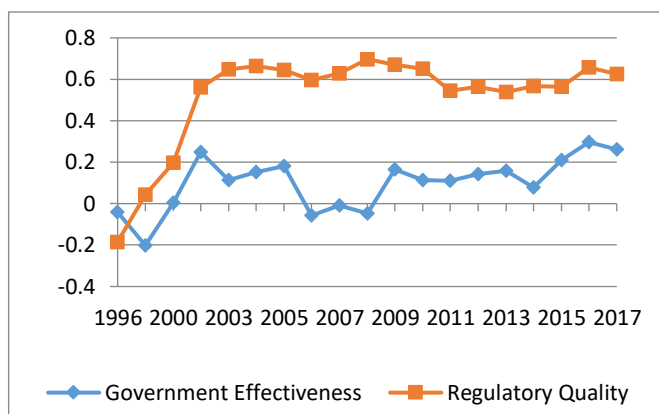


Chart 2.4.9. Regulatory quality and government effectiveness in Bulgaria, 1996-2017

In terms of social parameters, while the Human Development Index has been steadily improving since 1990, it remains one of the lowest among the EU member states. Furthermore, poverty has also been increasing since 2000, from 14% to 23.4% of the population living below national poverty lines. Regarding political criteria, despite being an EU member for over a decade, Bulgaria continues to display shortcomings in terms of rule of law, accounting for its constantly negative score. On the other hand, the political landscape, although marked with frequent expressions of public discontent aimed at the authorities at both the central and local level, has reached a certain level of maturity and stability.

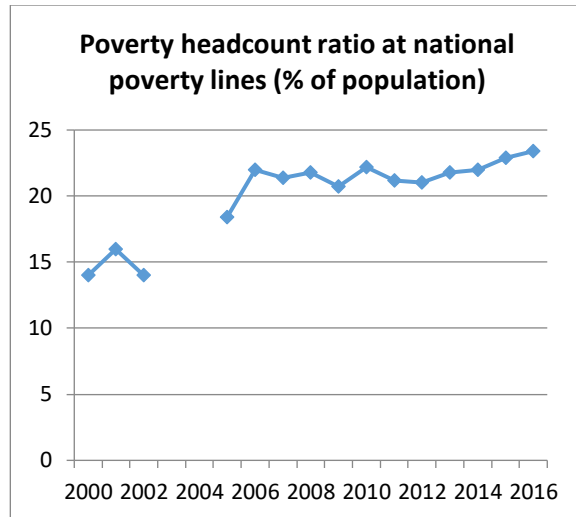
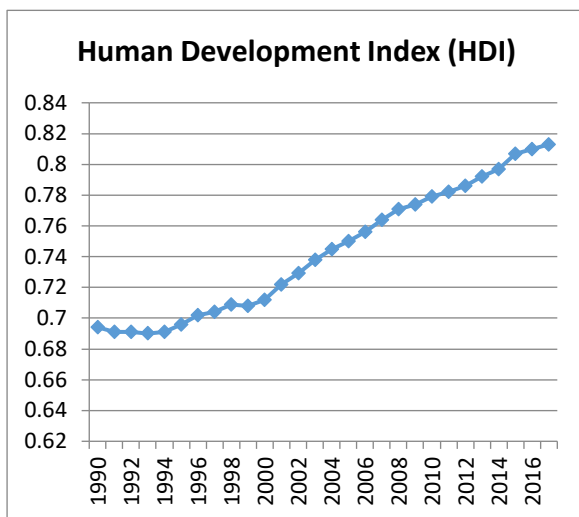


Chart 2.4.10. Bulgarian HDI, 1990-2016

Chart 2.4.11. Poverty ratio in Bulgaria, 2000-2016

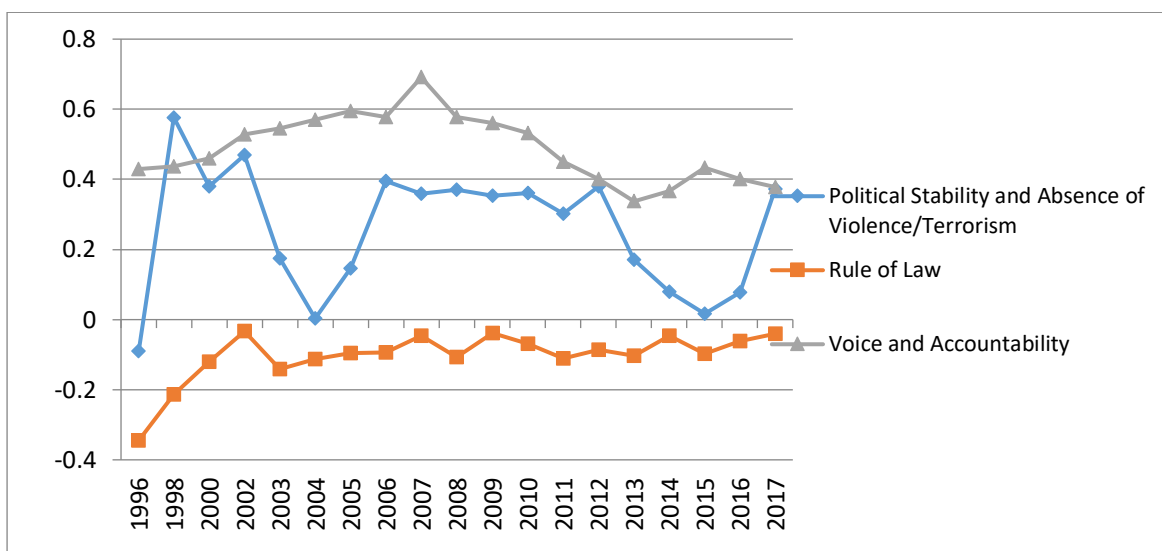


Chart 2.4.12. Political parameters in Bulgaria, 1996-2017

2.5. CROATIA

Territory: 56,594km²

Population: 4,145,200 (2017 estimate) / 4,284,889 (2011 census)

Relations with the EU:	
1999	Launch of the Stabilization and Association Process
2004	Candidate status
2005	1 February - Entry into force of the Stabilization and Association Agreement 3 October – Start of accession negotiations
2011	30 June – Closure of accession negotiations 9 December – Signature of the Accession Treaty
2013	Croatia becomes EU member state

2.5.1. Background

Croatia is often labeled as the biggest Balkan success story in terms of EU integration, because it managed to fully recover from a war and join the EU in less than 20 years. Croatia's initiative to declare independence from Yugoslavia came as a result of antagonist nationalist pressures within the federation, with Croatia and Slovenia asking for more rights for the republics on one side, and Serbia trying to assert greater centralization and Serbian dominance on the other. This led to unrest in the border parts of Croatia inhabited by Serbs who started to contest Croatian sovereignty over that territory. In June 1991 Croatia declared independence, while the violent conflict escalated in a full-fledged war with Serbia. The war which further continued on two fronts, against Bosnian Muslims in Bosnia and Herzegovina and against Serbs both in Bosnia and Herzegovina and along the Serbian border, lasted until 1994 and 1995 respectively, when Croatia regained control over its territory.

During the years that followed, Croatia was engaged in post-war reconstruction as well as efforts to restore its economy and transform it from socialist planned into market-based economy. The ravaged infrastructure, refugee and displaced persons issues that continued after the end of the war, as well as badly managed privatization deals imposed a significant burden on the national budget, adding up to the inherited public debt from former Yugoslavia which Croatia had to accept in the mid-1990s. During the years that followed, the Croatian economy marked a number of ups and downs, experiencing periods of high growth and recession. In 1994 the Kuna was introduced as the official currency in order to relieve inflationist pressure. The initial post-war growth was interrupted by a banking crisis in 1998 which led to recession, increase in unemployment and contraction of domestic consumption.

Following a series of well targeted and implemented structural reforms in 2000s, the country embarked on a new wave of economic success with the rise of the most prominent economic sectors – tourism, industry (especially shipbuilding and food processing), trade and agriculture. However, the global financial and European sovereign debt crisis severely affected the economy which has been struggling to fully recover ever since.

In terms of political reforms, following the death of President Tudjman in 1999, the country changed from a semi-presidential into a parliamentary system. The newly elected center-left government in 2000 managed to build relatively quickly a broad party and societal consensus on the country's path towards EU membership. In 1999, Croatia was included in the Stabilization and Association Process and engaged in SAA negotiations with the EU which concluded in 2001. The SAA did not enter into force until 2005, because, like in the case of Serbia, the ratification of the SAA by some member states was delayed due to lack of cooperation by the Croatian government with the International Criminal Tribunal for the former Yugoslavia.

In the meantime, Croatia also applied for EU membership, was granted candidate status in 2004 and started accession talks in 2005. It took the country 6 years to finish the negotiations; a couple of years longer than it had initially planned. The delay was largely due to the border dispute with Slovenia which entailed almost a year-long blockade by Croatia's neighbor. Croatia feared that the dispute may influence its NATO accession as well. However, despite a minor delay in the ratification procedure by Slovenia, Croatia became a NATO member at the same time with Albania, in 2009.

Furthermore, one of the thorniest points in the EU accession negotiations was the fight against corruption and organized crime. Following the European Commission's requests for Croatia to step up its efforts, Croatia launched an anti-corruption campaign targeting high-level officials, which resulted in several high-level investigations, prosecutions and convictions, including the most prominent case against the former Prime Minister, Ivo Sanader. This and other similar endeavors quickly convinced the European Commission and member states that Croatia deserved to join the Union without further delay. Following the signature of the Accession Treaty, Croatia organized a referendum on the accession to the EU where 66.27% of the population declared themselves for joining the EU. It became officially EU member on 1 July 2013.

Box 2.5. The Croatia – Slovenia border dispute

When Croatia and Slovenia declared their independence in 1991, the long-asleep dispute on their border which was not very relevant and was appeased with diplomatic means during Yugoslav times came to surface. Three contentious points emerged: the division of the waters in the Gulf of Piran, Slovenia's access to international waters using a corridor cutting through Croatian territorial waters and three points on the land border, including the demarcation over the rivers of Dragonja and Mura and the mountain peak of Sveta Gera/Tvrdinov Vrh.

Croatia's argumentation in the dispute is based solely on a narrow interpretation of UN's Convention on the Law of the Sea, while Slovenia supports its position by invoking its Yugoslav succession which provided it with maritime access to international waters until 1991, as well as the claim that it would be a geographically disadvantaged state unless it had access to international waters. The stake for Slovenia is of rather economic nature because, according to its position, without access to international waters, the Port of Koper would lose competitiveness and the country would lose a part of its traditional fisheries rights and right to scientific research.

Two attempts were made at the highest level to find a mutually acceptable solution to the dispute: the Drnovshek-Rachek Agreement in 2001 which was ratified by Slovenia during its accession process to the EU, but not by Croatia; the Bled Agreement in 2007 to bring the issue in front of the International Court of Justice which was later on refuted by Slovenia. In the meantime, the dispute brought about increased tensions between the countries and a 10-month blockade of Croatia's EU accession between December 2008 and November 2009. The immediate reason lay in the fact that Slovenia did not accept the documents and maps included in Croatia's negotiating position on 10 chapters because they made reference to the demarcation of the border according to the Croatian position, thus prejudicing the outcome to the dispute.

The blockade was lifted after the two Prime-Ministers agreed upon international arbitration to be conducted after Croatia's accession, with a result that would be binding on both parties. In the course of the arbitration process, a public scandal erupted suggesting that one of the judges on the arbitration panel may have been cooperating with a Slovene government official, which led to Croatia announcing its withdrawal from the process in 2015. The arbitration tribunal ruled that the incident did constitute a violation of the rules, but did not affect the process and published a decision in 2017. The ruling being in favor of Slovenia, Croatia refused to implement it invoking its withdrawal in 2015. At present, the two countries are still discussing the dispute and looking for a solution on the basis of the tribunal's verdict.

2.5.2. Key findings

The wars and the economic crisis took a significant toll on Croatia's economy which has marked severe periods of decline and catching up. By the time its economy fully recovered the pre-war level and started to rapidly grow further, it was hit by the global financial and European economic crisis and is expected to get back to the pre-crisis level, or 2008 which was the best year for the Croatian economy, only in 2019. The GDP per capita peaked in 2008 at 15.892 USD, but dropped by nearly 1/3 in 2015 to 11.774 USD. In addition, the public debt has been continuously mounting since the end of the war, reaching 85.7% of GDP in 2014. Thus, failing to meet the criteria necessary for introducing the Euro, despite acceding in 2013, Croatia has continued to use its own currency, the Kuna, which was introduced in 1994. Nevertheless, it has to be mentioned that thanks to the Kuna which replaced the Dinar, Croatia has largely managed to put inflation under control.

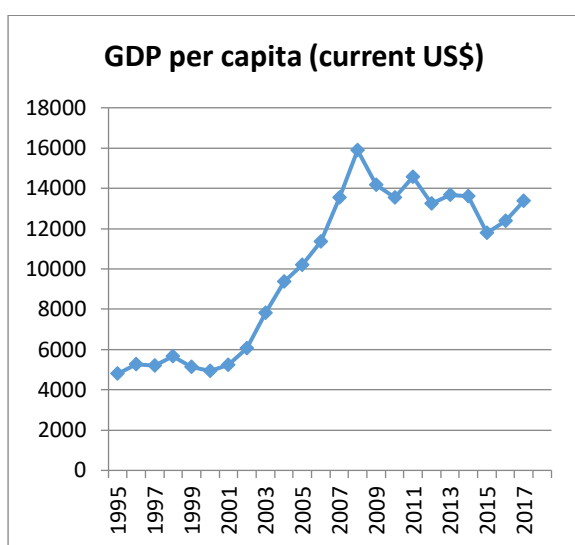


Chart 2.5.1 Croatian GDP per capita, 1995-2017

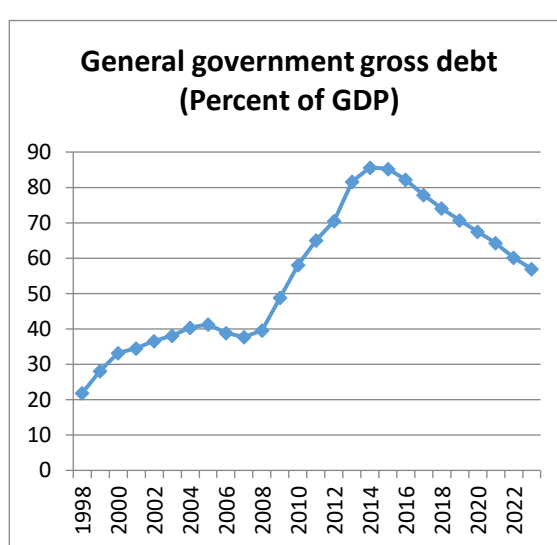


Chart 2.5.2 Croatian government gross debt, 1998-2022 (projection)

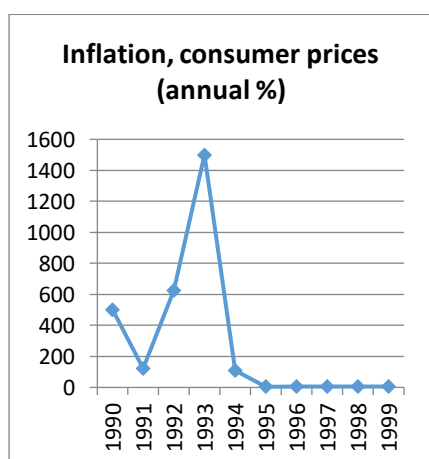


Chart 2.5.3 Croatian inflation rate, 1990-1999

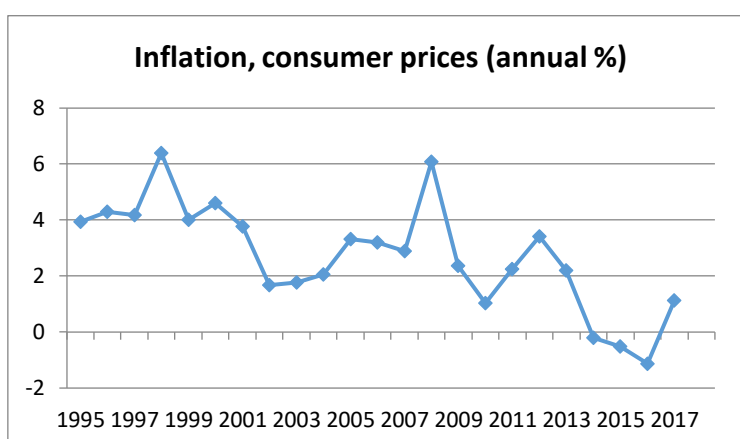


Chart 2.5.4 Croatian inflation rate, 1995-2017

The economic reforms introduced since 2000 subsequently led to a rapid increase in FDI, trade and capital investments, all of which peaked in 2008 before being severely affected

by the crisis. Year 2014, the first year following Croatia's EU accession also marks a steep increase in terms of FDI, a tendency which was however not maintained afterwards. Citizens' welfare measured through the average salaries also peaked in 2008 at 1.536 USD marking 4.4 times increase compared to 1994, but dropped by 28% in 2015 to 1.109 USD. The industry which had started to recover and regain its competitiveness after the war was also severely affected. The CIP which was 0.0892 in 1990, dropped to 0.0547 in 1997, peaked at 0,704 in 2008 and has not managed to regain that level ever since.

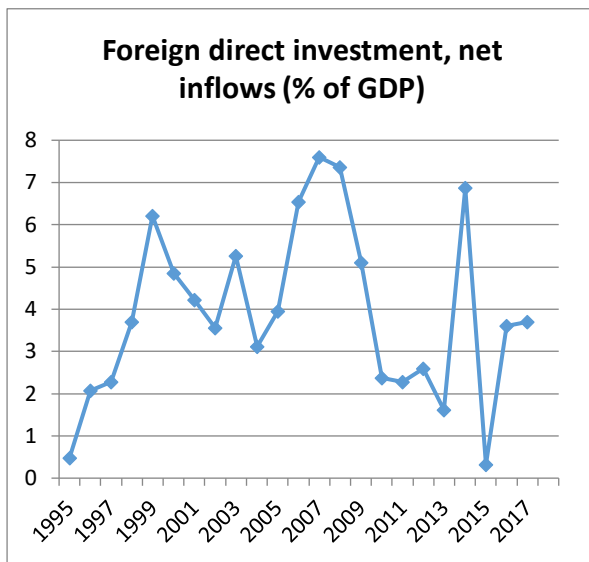


Chart 2.5.5. FDI in Croatia, 1995-2017

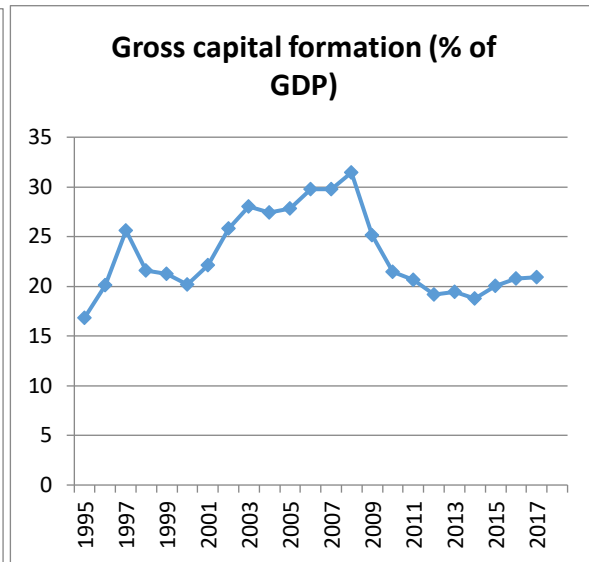


Chart 2.5.6. Gross capital formation in Croatia, 1995-2017

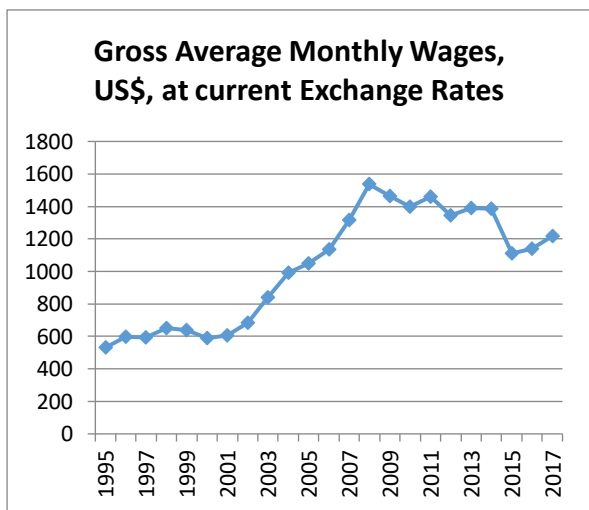


Chart 2.5.7. Gross average monthly wages in Croatia, 1995-2017

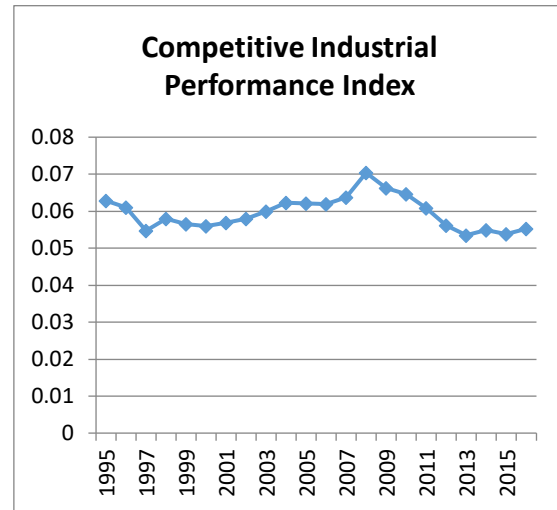


Chart 2.5.8. Croatian CIP index, 1990-2017

Following the war, trade also started to rapidly pick up pace, with imports of goods being most prominent in the rise especially until the economic crisis, after which the purchasing power and subsequently consumption decreased. Imports in goods and exports of services also increased and continued to rise following a minor stagnation between 2009 and 2013.

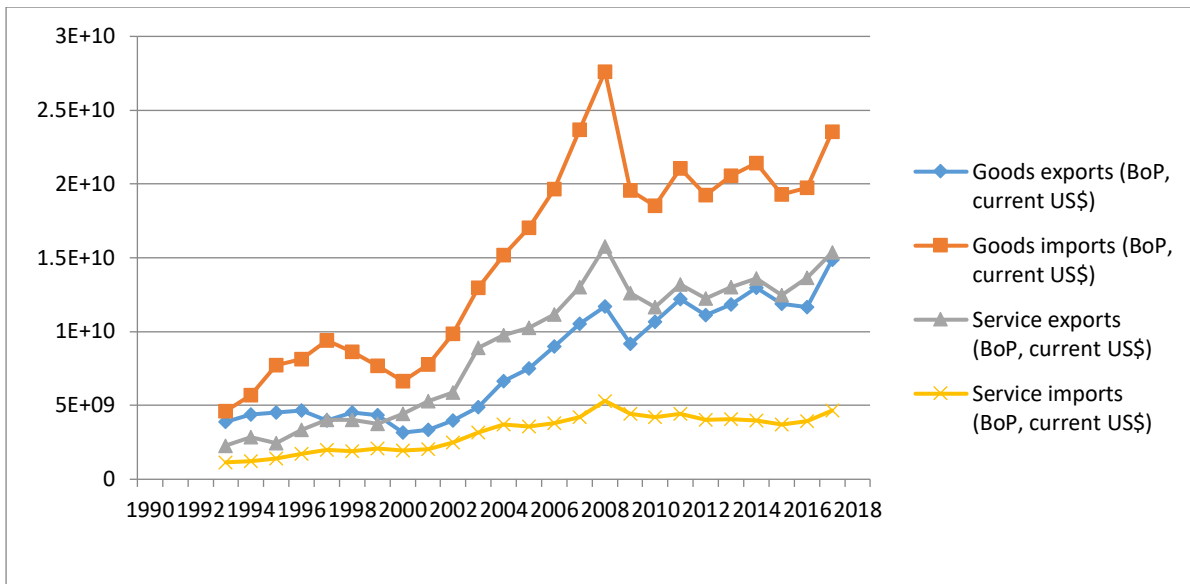


Chart 2.5.9. Croatian trade in goods and services, 1993-2017

The periods of high growth also brought along a reduction of the unemployment rate. However, the country has been constantly struggling with high unemployment, seldom managed to reduce it below 10% and still ranks among the EU member states with highest unemployment. In turn, the country's poverty ratio throughout the years has been rather constant at around 20% of the population. Social inequality has been slowly reducing and the Human Development Index largely improved from 0.67 in 1990 to 0.83 in 2017. However, despite this progress, on two occasions Croatia faced significant emigration waves. The first one between 1990 and 2000, due to the war, and the second one with the opening of the accession negotiations and especially since the membership in the EU in 2013, as prospects for better life quality and more attractive job opportunities became available for Croatian citizens in other EU countries.

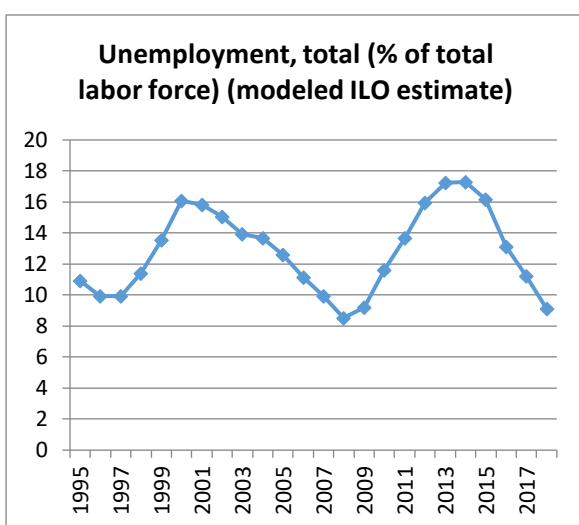


Chart 2.5.10. Croatian unemployment rate, 1995-2017

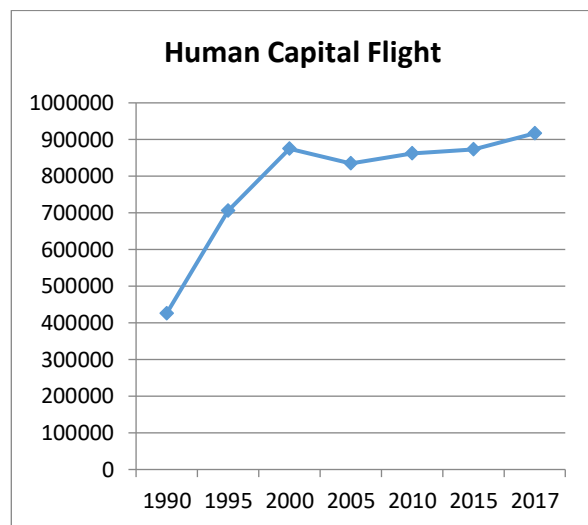


Chart 2.5.11. Human capital flight from Croatia, 1990-2017

In terms of political criteria, ever since the end of the war, all the parameters, such as political stability and absence of violence, rule of law, voice and accountability, government effectiveness and regulatory quality, have been marking steady and continuous improvement. This can be arguably ascribed to the country's efforts to meet all the necessary criteria for EU membership which were based on a broad political consensus. It largely contributed to the country's swift and for the biggest part unimpeded integration process which, following Romania's and Bulgaria's accession, which created a rather negative perception towards enlargement, managed to convince the member states in the efficiency of the Commission's new approach – Fundamentals First.

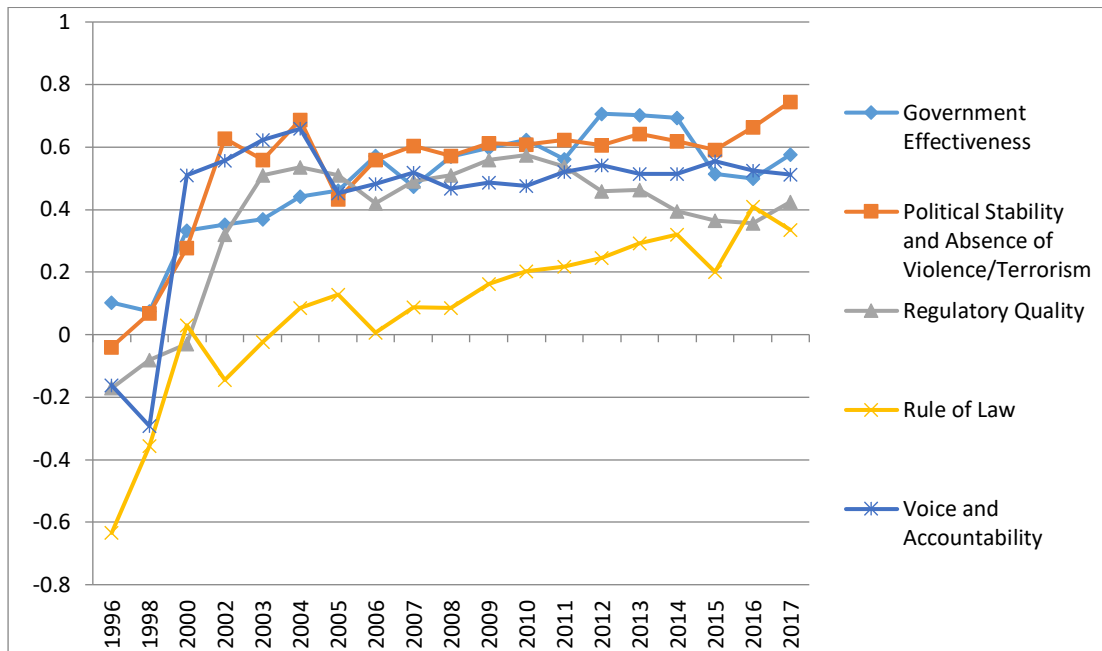


Chart 2.5.12. Croatian political parameters, 1996-2017

2.6 MONTENEGRO

Territory: 13.812 km²

Population: 678.901 (2018 estimate) / 620.029 (2011 census)

Relations with the EU:	
2002	Montenegro unilaterally adopts the Euro
2006	Montenegro declares independence and starts SAA negotiations
2010	Entry into force of the Stabilization and Association Agreement / Candidate status
2012	Start of accession negotiations

2.6.1. Background

In a referendum on the path for Montenegro to choose following the dissolution of Yugoslavia in 1992, the citizens opted to remain in a federation with Serbia in the Federal Republic of Yugoslavia, which was later renamed State Union of Serbia and Montenegro. The referendum itself was contested by the pro-independent part of the population as well as the ethnic minorities who boycotted because of alleged non-democratic conditions in the country and strong propaganda to stay in the federal state. Their claims for independence materialized with the second referendum organized in 2006, monitored by European observers, when Montenegro officially opted for and declared independence.

Until 2006, Montenegro largely shared the same “destiny” with Serbia. It was involved in the war against Croatia alongside Serbian troops, its military officials were convicted of military crimes against Bosnian refugees and it was a target of NATO bombing following the Kosovo war, although not to the same extent as Serbia. However, tensions between the two states started to emerge in 1997 when Milo Djukanovic took over the lead in the Montenegrin ruling party. He saw the unity with Serbia as liability, rather than asset and opted to pursue an independent economic policy, resulting in its adoption of the Deutsche Mark in 1999 in order to avoid the inflation which hit Serbia and its currency, the Dinar. The Deutsche Mark was replaced by the Euro following its introduction in 2002.

Box 2.6. Montenegro's unilateral adoption of the Euro

The introduction of the Euro as a national currency is based on strict conditionality closely monitored by the European Central Bank (ECB). Its goal is to ensure that the country is ready to join EU's monetary policy and to protect the overall Eurozone from potential harmful influences occurring in certain country, as it was the case with the European crisis in 2011. The convergence criteria that a country needs to meet before it can adopt the Euro are set out in the Treaty on the Functioning of the EU (art.140). They include the following economic conditions:

- Price stability – inflation rate not exceeding 1.5 percentage points above the average inflation rate of the 3 best performing member states;
- Sound public finances – maintaining government deficit within 3% of GDP and government debt within 60% of GDP;
- Minimum 2-year participation in the Exchange Rate Mechanism (ERM) II, without strong deviations from the ERM central rate and without devaluing its national currency against the Euro;
- Long-term interest rates not higher than 2 percentage points from the rates of the 3 best performing member states in terms of price stability;

The candidate for accession to the Euro area needs to also fully align its legislation and the statute of its central bank with the provisions in the treaties, ECB and ESCB statutes, in order to ensure full transfer of the monetary sovereignty to the EU. In addition, the basic condition which is not written but ensues is that the candidate be an EU member state.

At the time when it decided to unilaterally adopt the Euro, Montenegro did not have in mind these criteria and the EU did not stop it from doing so. Their position has long been that the Euro is a free traded currency and anyone (physical or legal entity) can purchase it and use it. However, the issue has been put on the agenda during the accession talks and Montenegro has accepted to abide by the convergence criteria in order to be allowed to keep the Euro. The only remaining sticky point could be the participation in the ERM which would be possible only if Montenegro re-introduced over a certain period its national currency, which according to Montenegro officials, at this point would be completely unreasonable.

Since 2006, the Montenegrin economy marked a rapid take off with numerous investments in tourism and real-estate, especially along the coast. It decided to brand itself into an environment-friendly country and even enshrined it in its Constitution. This meant that it would orient its economy towards tourism and do away with the old industrial production plants, although it has not been an easy task. In addition, one of the biggest challenges was to shift away from the grey and criminal economy which had taken a sway in the post-war years, with the access to the Adriatic Sea being a very convenient smuggling route. This was also one of the major requirements on the country's path to the EU and also NATO. Montenegro received an official invitation to join NATO in 2015 and despite domestic and foreign, mostly

Russian opposition, joined the North-Atlantic organization in 2017, while its EU bid is still ongoing.

Even before its independence, Montenegro was involved in the EU accession process through the SAA negotiations launched between the EU and Serbia and Montenegro in 2005. After the independence, the EU initiated separate talks with Montenegro which were concluded in 2007 and, following the ratification by all the EU Member States, the SAA entered into force in 2010. The same year the country was granted candidate status and was provided by the European Commission with a list of 7 priority areas where improvements need to be made before the opening of EU accession talks. The reforms included:

- improving the legislative framework for elections
- reform of the public administration
- reform of the judiciary
- improving the legal framework for fight against corruption
- strengthening the fight against organized crime
- enhancing media freedoms
- improving the policy framework on anti-discrimination

The following year, the European Commission deemed that the progress achieved by Montenegro in the above-mentioned areas was sufficient and it gave an outright recommendation to the Council of Ministers to open accession talks, which happened in 2012. Ever since, Montenegro has opened all the chapters but the one on competition policy and provisionally closed 3 (not counting chapters 34 and 35 where there is no *acquis* to adopt), which makes it at present the most advanced country in terms of EU accession in the Western Balkans. In addition, Montenegro is probably the only country with no open bilateral issues with either its neighboring countries or EU member States, which means that at the present pace, the country is likely to finish the accession talks by 2025.

2.6.2. Key findings

While there is not much official data available in relation to the indicators of interest for this research for the period until 2006, the statistics between 2006 and 2017 show that despite the slowdown in economic activity due to the crisis which marked half of that period and despite domestic political turmoil in recent years, the country managed to make remarkable economic progress in a decade of independence. Its GDP per capita increased almost 5 times since the country started to pursue an independent economic policy and almost doubled since the independence, while gross monthly salaries increased 3 times since 2003. In addition, unemployment rate which was almost constant around 30% in the period until 2006 was reduced by nearly half.



Chart 2.6.1. Montenegro's GDP per capita, 2000-2017

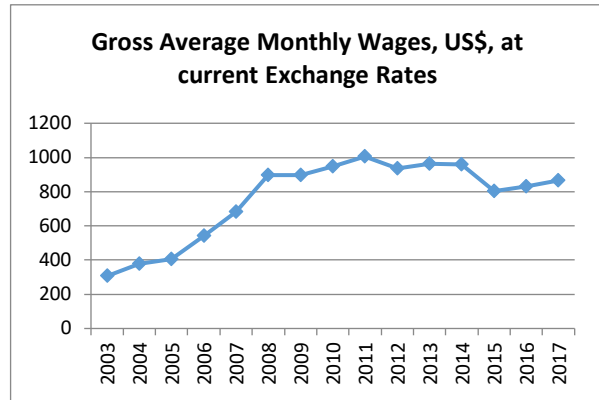


Chart 2.6.2. gross average monthly wage in Montenegro, 2003-2017

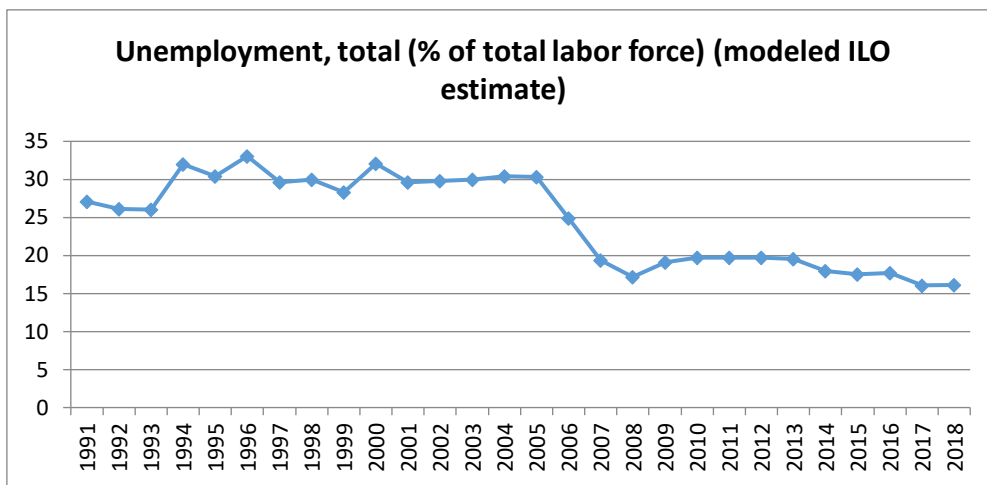


Chart 2.6.3. Montenegrin unemployment rate, 1991-2017

Montenegro's success can be in part ascribed to the well defined priorities of its economic policy which aimed to transform the country from a typical post-Yugoslav industrial economy into a service-based market economy which relies mostly on tourism and tourism-related investments. Starting from 2005, the country managed to attract unprecedented amounts of FDI, skyrocketing from 3.2% of GDP in 2004 to 22.2% in 2005 and further peaking in 2009 at 37.6%. Montenegro has maintained a high rate of FDI inflows ever since, with the only exception being 2016, the year following the invitation to the country to join NATO in December 2015. This can be explained with internal political turmoil over the country's decision to join NATO without organizing a referendum, which was met with criticism by the domestic opposition. Furthermore, the decision was disapproved of by Russia, which led to momentary withdrawal of Russian investors who ranked among the top investors in Montenegro since its independence.

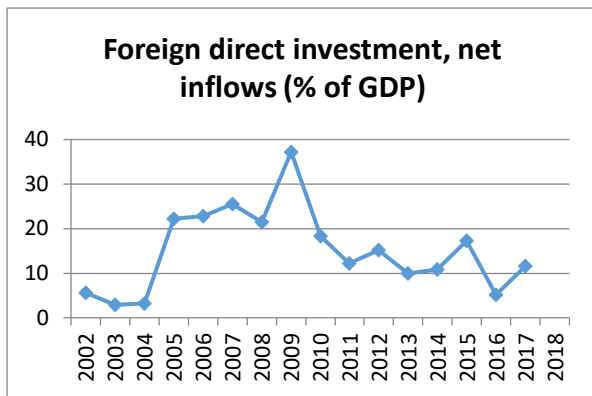


Chart 2.6.4. FDI inflows in Montenegro, 2002-2017

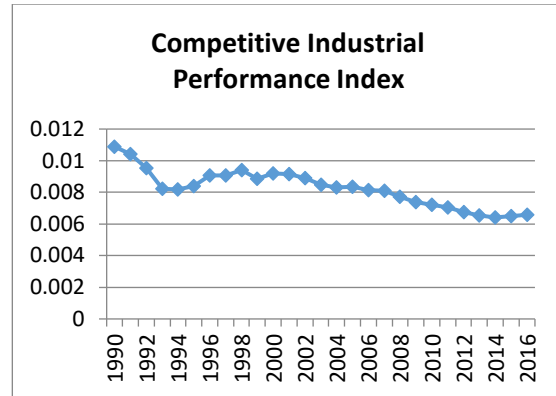


Chart 2.6.5. Montenegrin CIP index, 1990-2016

The decision to shift towards a more sustainable economic model can also be observed through a reduction of the Competitive Industrial Performance Index which, like in the other post-Yugoslav countries dropped after 1990, but unlike them – did not pick up later on. In addition, exports of goods declined by a third since the independence, while imports remained largely the same. On the other hand, both exports and imports of services increased by around 60%.

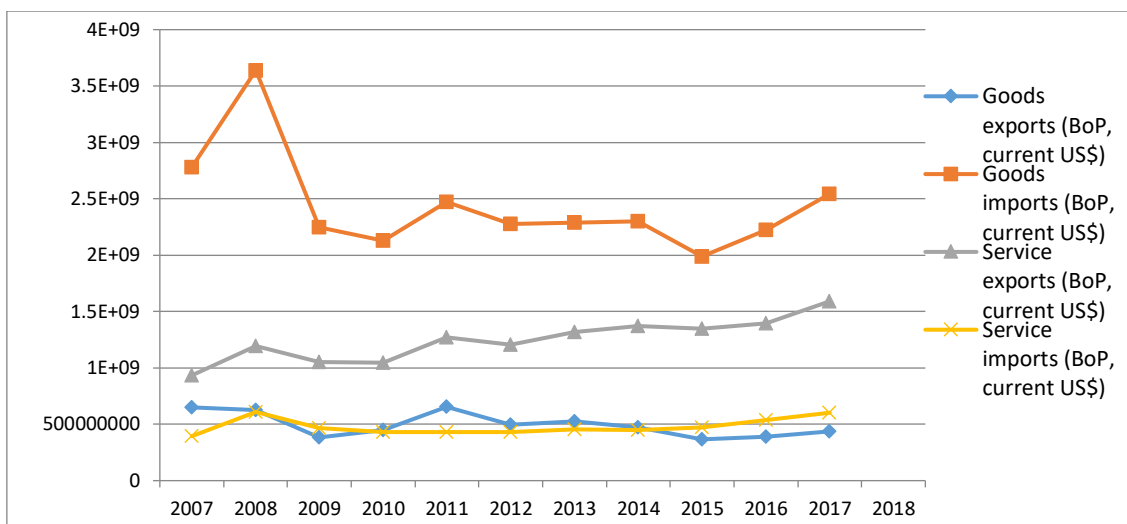


Chart 2.6.6. Montenegrin trade in goods and services, 2006-2017

Another reason for Montenegro’s economic success can be sought in its decoupling from Serbia’s monetary policy and the Dinar in 1999, by adopting the Deutsche Mark and later on, in 2002, the Euro. This naturally helped the country to maintain a relatively low inflation rate compared to Serbia, peaking in 2008 at 8.76% and dropping in the deflation zone of -0.27 in 2016. However, using the Euro as national currency has been met with criticism by the EU, especially because Montenegro does not strictly meet the criteria that Euro zone members need to abide by. The most notable example is the level of government debt which has been relatively high and since 2014 exceeds the EU’s threshold of 60% of GDP. While this is in part due to the construction of the Bar-Boljare highway with a Chinese loan in the context of the 16+1 cooperation, it is important to note that the government debt started to rise as early as 2006 and according to World Bank projections it will be declining in the forthcoming years.

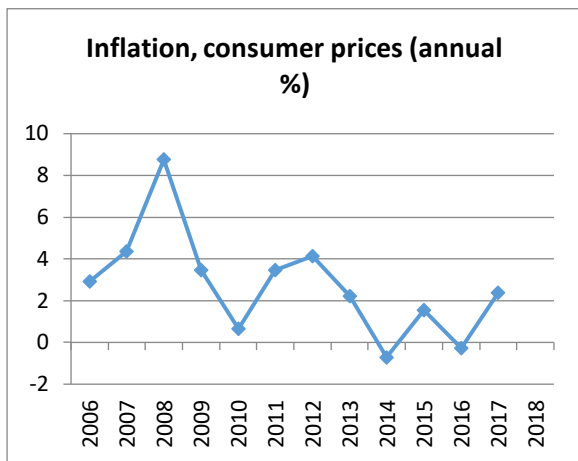


Chart 2.6.7. Montenegrin inflation rate, 2006-2017

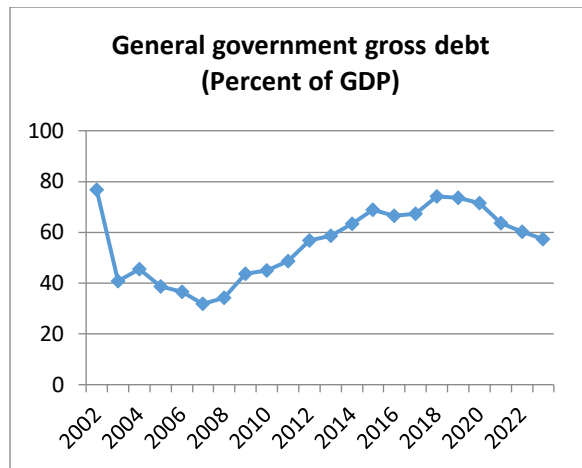


Chart 2.6.8. Montenegrin gross government debt, 2002-2022 (projection)

Montenegro's economic reforms after the independence (2006-2017) have been driven by an increase in the government's efforts and effectiveness, from -0.13 to 0.15, as well the quality of the regulation from -0.33 to 0.30. In terms of social parameters, the only aspect with a visible tendency of improvement is the Human Development Index, where Montenegro is the best ranked country in the Western Balkans and scores even better than some EU member states, like Bulgaria and Romania. In terms of social inequality and poverty, available data is scattered and does not cover a sufficiently long period to make any meaningful judgments.

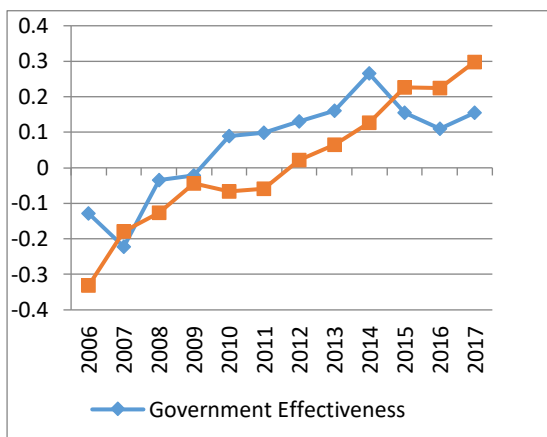


Chart 2.6.9. Government effectiveness and regulatory quality in Montenegro, 2006-2017

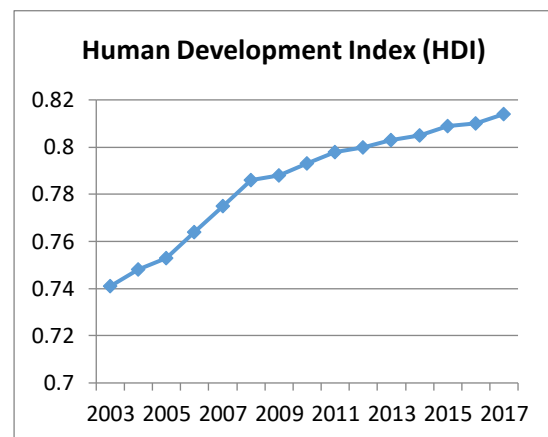


Chart 2.6.10. Montenegrin Human Development Index, 2003-2017

Regarding political parameters, the situation is rather ambiguous with the main indicators, such as rule of law, political stability and voice and accountability constantly fluctuating and even generally worsening since 2009, with a very small exception in the period 2010-2012 when Montenegro was expected to deliver substantial reforms in these areas in order to be allowed to open accession talks. Given that the EU accession process and the new

approach in enlargement policy put particular emphasis on these aspects, this goes against the logical expectation that with the candidate status in 2010 and the ongoing accession negotiations there would be a significant improvement in the political parameters.

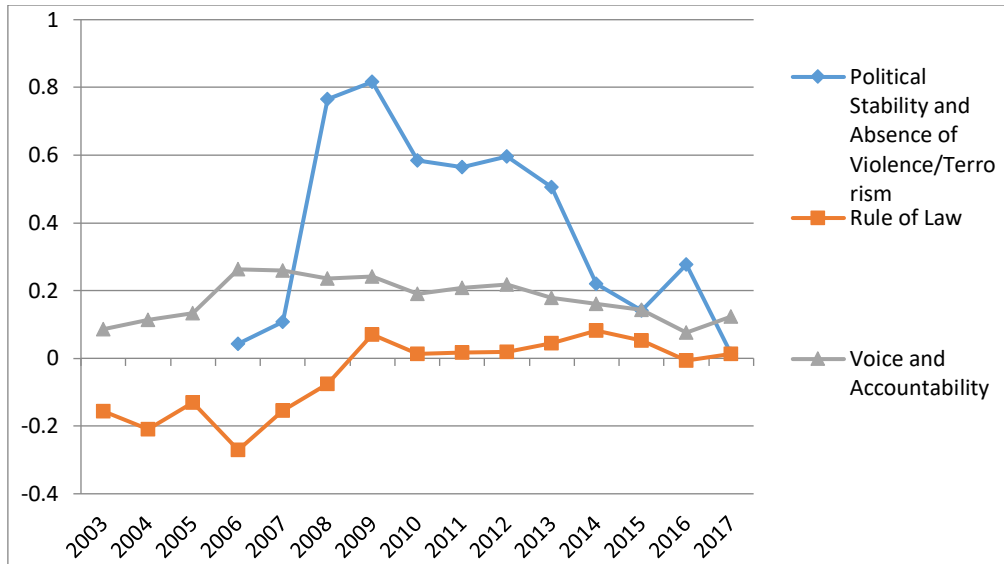


Chart 2.6.11. Montenegrin political parameters, 2003-2017

2.7. NORTH MACEDONIA

Territory: 25.713 km²

Population: 2.103.721 (2017 estimate) / 2.022.547 (2002 census)

Relations with the EU:	
1999	Launch of the Stabilization and Association Process
2001	Signature of the Stabilization and Association Agreement
2004	Entry into force of the Stabilization and Association Agreement
2005	Candidate status
2009	First recommendation to open accession talks issued by the European Commission

2.7.1. Background

The Republic of North Macedonia is one of the 6 independent states that gained independence with the disintegration of the federation of Yugoslavia in 1991. While it managed to establish its sovereignty through a relatively peaceful transfer of powers from the federal level, its initially fragile statehood was shaped in the context of the wars in the region - Serbia, Bosnia and Herzegovina and Croatia. Moreover, its contested constitutional name was the reason for its southern neighbor, Greece, to block the country's accession to the United Nations and to impose a trade embargo in 1994. Deprived from its basic supply channels in terms of oil and other necessities, Macedonia signed an Interim Accord with Greece in September 1995, under the auspices of the UN. The Agreement stipulated that Macedonia was obliged to change its flag and remove the alleged irredentist clauses from its Constitution, while Greece bound itself not to block the Macedonian accession to international organizations where Greece was already a member.

The years that followed failed to bring the much-needed stability and prosperity. The war in Kosovo led to a sizeable refugee wave of over 300.000 people who were temporarily sheltered in Macedonia. While a part of the refugees was repatriated back to Kosovo after the end of the armed conflict, a part remained in the country and obtained citizenship, which led to a significant change in the demographics, especially in the North-Western part of the country. Furthermore, the biggest spillover effect of the Kosovo war was ethnic conflict between military groups composed of ethnic-Albanians (the so-called Albanian Liberation Army) and the Macedonian security forces over the claim for greater collective rights for the Albanian ethnic minority. The ethnic conflict was brought to an end with the signature of the Ohrid Framework Agreement brokered by the international community in 2001.

This turbulent period coincided with the launch of the Stabilization and Association Process in 1999 by the EU, which aimed to provide the Balkan countries with the perspective to establish closer relations with the EU, ultimately leading to potential EU membership. As a sort of reward for the Ohrid Agreement, Macedonia was the first country in the Balkans to open

negotiations for a Stabilization and Association Agreement in 2000. The SAA was signed the following year and entered into force in 2004. The following year (2005) Macedonia officially became a candidate country for EU membership.

In the meantime, the economic situation deteriorated due to a series of failed privatization deals of the major public enterprises, leading to a record high unemployment rate of 38% in 2005. The legacy of the socialist regime, teamed with the regional instability and the lack of structural reforms acted as serious impediment to economic prosperity. On the other hand, the prospect for EU membership and the start of a free trade regime with all the EU member states brought along the potential for political stability and economic prosperity. In addition, it marked a turning point for the political leadership by imposing the obligation to engage in a process of harmonization with the EU acquis and by placing the country under the scrutiny of the European Commission, which in 2006 started to publish annual reports on the overall state of affairs in the country, as well as Macedonia's degree of compliance and progress towards meeting the Copenhagen criteria.

The accession process gained momentum with the first recommendation by the European Commission for Macedonia to open accession negotiations in 2009. However, the recommendation was not put into effect by the Council of Ministers where Greece de facto vetoed the decision to grant Macedonia a date to start accession talks. Ever since 2009, the Commission continued to issue subsequent reports containing recommendations, but the Council has still, to date, not reached unanimity on the matter. Despite the signature and ratification of the Prespa Agreement which put an end to the nearly 30 year-long dispute, the EU is reluctant to open accession negotiations with Macedonia because of 2 main reasons: (i) failure of the current government to deliver the necessary reforms, formally structured in a report by the Senior Group of Experts led by the German Reinhard Priebe back in 2015; (ii) internal negative attitude towards enlargement in several EU member states.

Box 2.7. The Prespa Agreement

The Agreement signed in 2018 by Macedonia and Greece in Nivici, on the bord of the Prespa lake under the auspices of the UN and the EU, is intended to put an end to the nearly 3-decade long dispute between the two countries over Macedonia's constitutional name. It strives to overcome the differences between the two sides by renaming the Republic of Macedonia into Republic of North Macedonia for both internal and external use, defines the citizenship as Macedonian/citizen of North Macedonia, the language as Macedonian (belonging to the group of Slavonic languages) and prevents Greece from further blocking North Macedonia in its aspirations to join international organizations where Greece is already a member.

The Agreement, although largely praised by the international community, raised numerous issues among the legal expert public regarding its compliance with international law. In addition, the procedure of signature and ratification in the Macedonian Assembly was considered by many illegal and in violation of the rule of law for the following reasons:

- the Agreement was signed by the Macedonian Foreign Minister whose right to sign it under the existing legislation is questionable;
- the Agreement was submitted to popular vote by referendum where the majority of the population opted for boycott as a way to express their disapproval and the turnout of 36.9% failed to reach the necessary census of 50%;
- the ratification procedure in the Assembly was tarnished with behind-the-curtain deals between the ruling party, who based its entire legitimacy on the Agreement, and MPs from the opposition party accused of criminal wrongdoings who voted for the Agreement in exchange for dismissal of their charges or reduced sentences.

While at present the Agreement seems to have helped overcome Greek opposition to Macedonia's entry in NATO and the EU, as the biggest political obstacle, the country's accession process in both organizations is still ongoing. In addition, the newly elected right-wing (Nea Demokratia party) government in Greece in July 2019, while in opposition and during the election campaign voiced its opposition to the Agreement and the willingness to renegotiate certain parts. This means that while joining NATO seems to be "around the corner", the prospects for the country's EU accession remain uncertain.

2.7.2. Key findings

During nearly 30 years of independence, the Macedonian economy went through a number of upward and downward cycles as a consequence of external instability and internal turmoil. With minor exceptions in 2000 and 2001, due to the ethnic conflict, in 2009, 2010 and 2012 because of the global financial crisis and in 2015 as a result of the internal political crisis, since 1999 the country has marked a steady increase in GDP per capita, from 1.909 USD in 1999 to 5.415 USD in 2017. This reflects the slow but gradual increase of its overall GDP because of the improved industrial performance and the increase in trade and investments. To illustrate, the Competitive Industrial Performance Index rose from 0.0203 in 1999 to 0,0291 in 2016, following the same pattern of slight decline in 2001, 2002, 2009 and 2012.

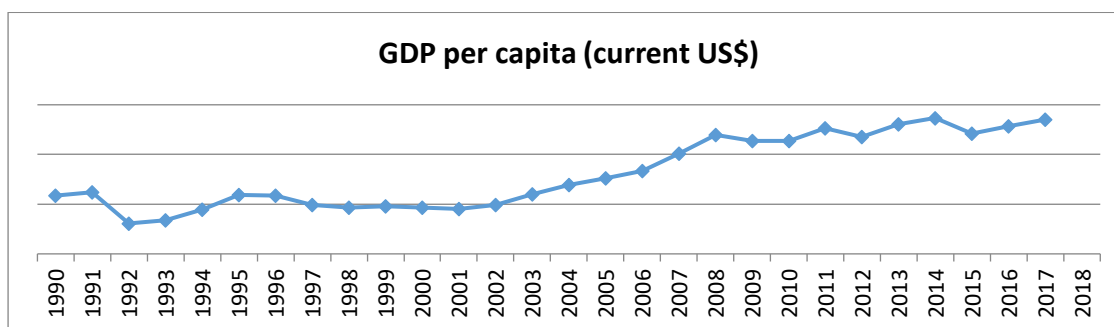


Chart 2.7.1 Macedonian GDP per capita, 1990-2018

In addition, with minor exceptions due to the above-mentioned reasons, trade in terms of both exports and imports in goods and services has been almost constantly increasing between 1999 and 2017. Exports of goods have expanded 6.7 times and imports of goods 5.1 times, while in terms of services, exports have increased 4.1 times and imports 5.1 times.

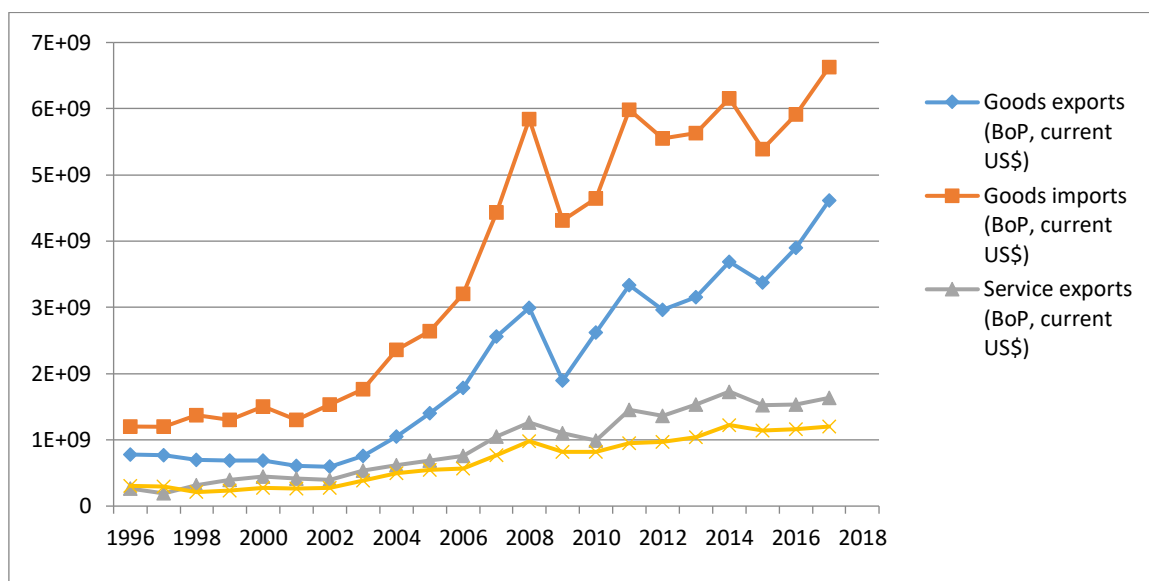


Chart 2.7.2 Macedonian trade – exports and imports of goods and services, 1996-2018

The overall improvement of the economic situation which started after the internal stabilization in 2002, continued with the signature of the SAA and the candidate status in 2004 and 2005 and accelerated with the change of government in 2006. The positive momentum due to the clearly expressed EU membership perspective was coupled with strong economic focus of the government's policies which aimed to attract FDI and increase exports. Such policies which included the creation of free economic zones, introduction of flat tax, scrapping a number of duties, cutting red-tape, facilitating administrative procedures and providing subsidies to foreign investors led to Macedonia making a huge leap in the World Bank's Doing Business Ranking, from the 81st place in 2006 to 10th place in 2017.

While FDI inflows as such do not show a continuous tendency of increase between 1999 or 2006 and 2017, other parameters related to the increase of economic activity and the establishment of a number of foreign investors in the country reflect the positive policy impact. For example, the unemployment rate which reached record-high 38% in 2005 has been constantly decreasing since 2006 down to 22% in 2017, while the average monthly salary increased from 298 USD in 1999, to 433 USD in 2005 and 618 USD in 2017. Furthermore, the regulatory quality which had worsened from -0.13 in 2000 to -0.23 in 2005, has been steadily improving ever since to reach 0.5 in 2017, alongside the economic freedom ranking which improved from 6.42 to 7.13 in 2016.

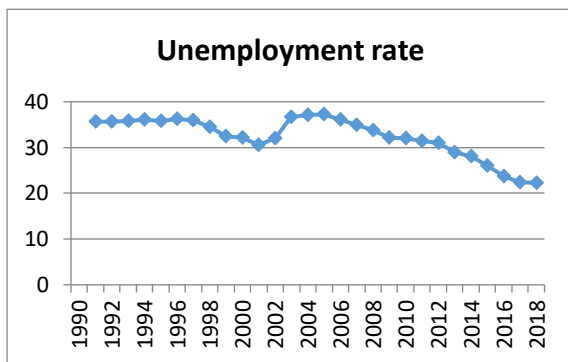


Chart 2.7.3. Macedonian unemployment rate, 1991- 2018

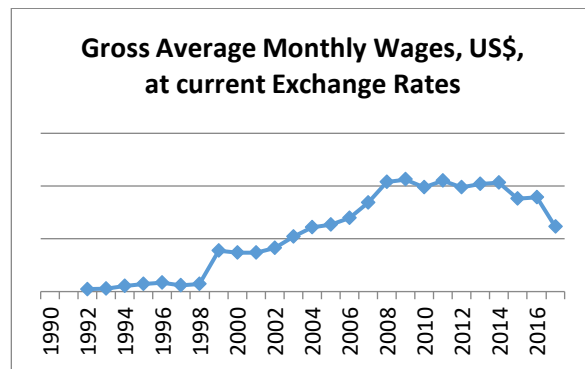


Chart 2.7.4. Gross average monthly wage in Macedonia, 1992-2017

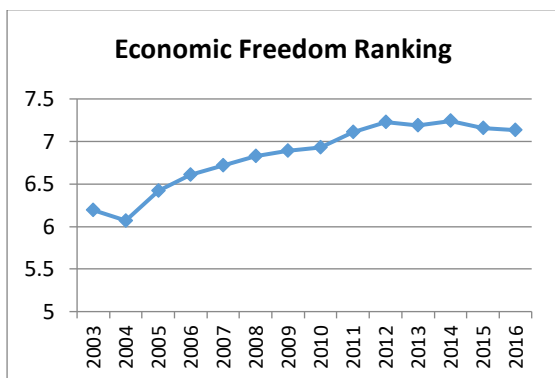


Chart 2.7.5. Economic freedom ranking of Macedonia, 2003- 2016

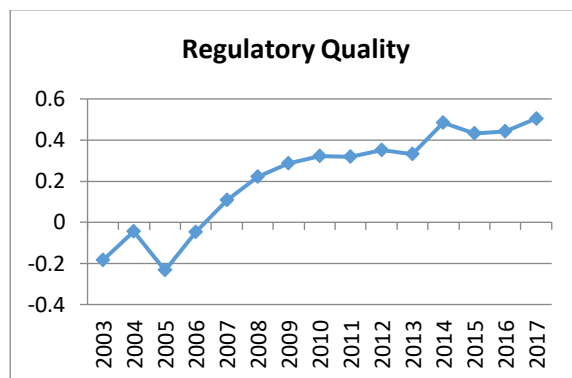


Chart 2.7.6. Regulatory quality in Macedonia, 2003-2017

While the global financial and European sovereign debt crisis clearly took a toll on the economic outlook of the country, the impact was largely mitigated thanks to an increase in the capital investments from 19.85% of GDP in 2005 to 32.98% in 2017, leading to a sizeable increase in the activity of the construction industry. Most of the investments were related to infrastructure (road, rail and energy infrastructure), but an important part of the national budget was also spent on the construction of the controversial project Skopje 2014. However, many investments, in addition to national funding, leveraged international loans, leading to two-fold increase of the government debt from 20.6% of GDP in 2008 to 39.3% in 2017. It is important to mention that the government debt had reached even higher levels of almost 46% in 2000 and 2001, due to the Kosovo refugee crisis, but was reduced after 2005. Notwithstanding the increase, it still is within the acceptable limits according to EU standards of 60% of GDP.

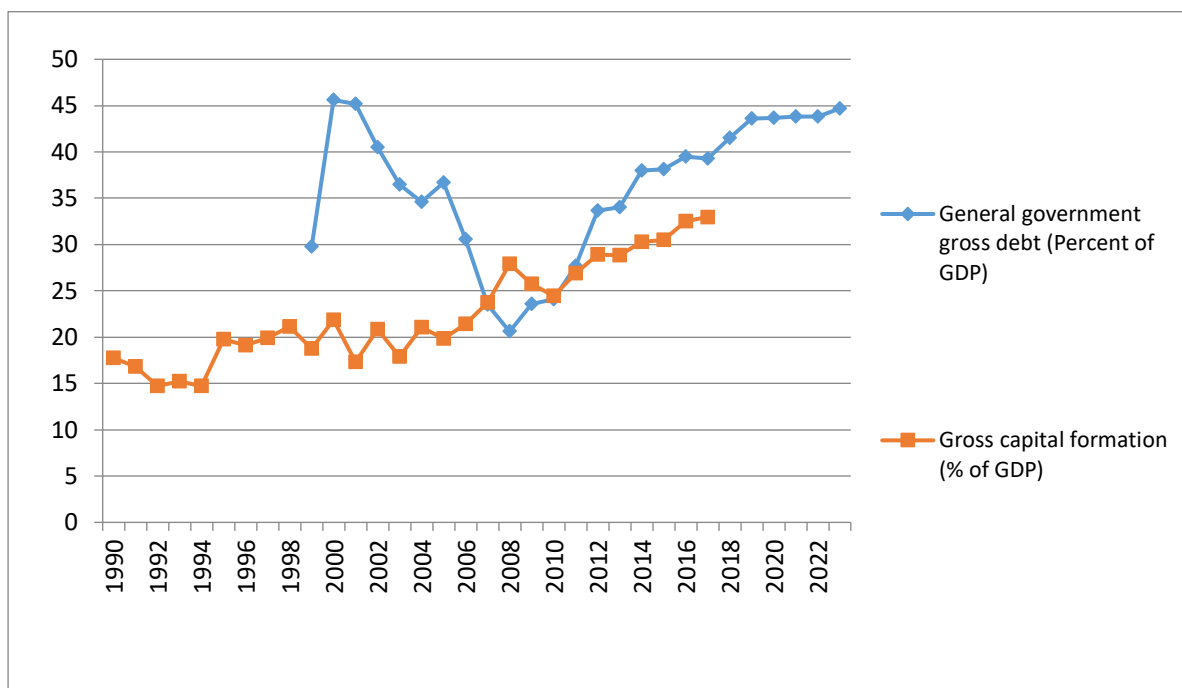


Chart 2.7.7 Macedonian gross government debt and gross capital formation as % of GDP

The improvement of the economic situation has been accompanied with progress in terms of the social parameters, albeit it has not been as accentuated. For example, social inequality has been decreasing with the GINI index declining from 42.8 in 2009 to 35.6 in 2015; poverty has been reduced from 27% of the population living below national poverty lines in 2010 to 22.2% in 2017; the Human Development Index which includes aspects such as quality of health care and education has only improved by 0,09 from 0.67 in 2000 to 0.76 in 2017 and remains one of the lowest in Europe.

Year	GINI	HDI	Poverty headcount ratio
2000	/	0.669	/
2001	/	0.673	/
2002	/	0.679	/
2003	/	0.686	/
2004	/	0.693	/
2005	/	0.702	/
2006	/	0.708	/
2007	/	0.712	/
2008	/	0.728	/
2009	42.8	0.731	/
2010	40.2	0.735	27
2011	39.4	0.738	26.8
2012	38.1	0.74	26.2
2013	36.2	0.743	24.2
2014	35.2	0.747	22.1
2015	35.6	0.754	21.5
2016	/	0.756	21.9
2017	/	0.757	22.2

Table 2.7.1. Macedonian social parameters

With regards to the political criteria, obvious improvement can be observed in the government's effectiveness, from -0.75 in 2000, -0.18 and -0.33 in 2004 and 2005 respectively, up to a positive score of 0.14 in 2017. In terms of rule of law, steady improvement can be observed between 2000 and 2004, from -0.57 to -0.24, and between 2006 and 2014, from -0.53 to -0.05. Nevertheless, the wiretapping scandal in 2015 which involved high government officials in alleged criminal actions related to corruption seriously undermined the country's score in terms of rule of law. It also cast serious doubt on both, Macedonia's readiness for EU membership and EU's performance in observing and strengthening the respect of one of the most fundamental conditions for membership according to the Copenhagen criteria.

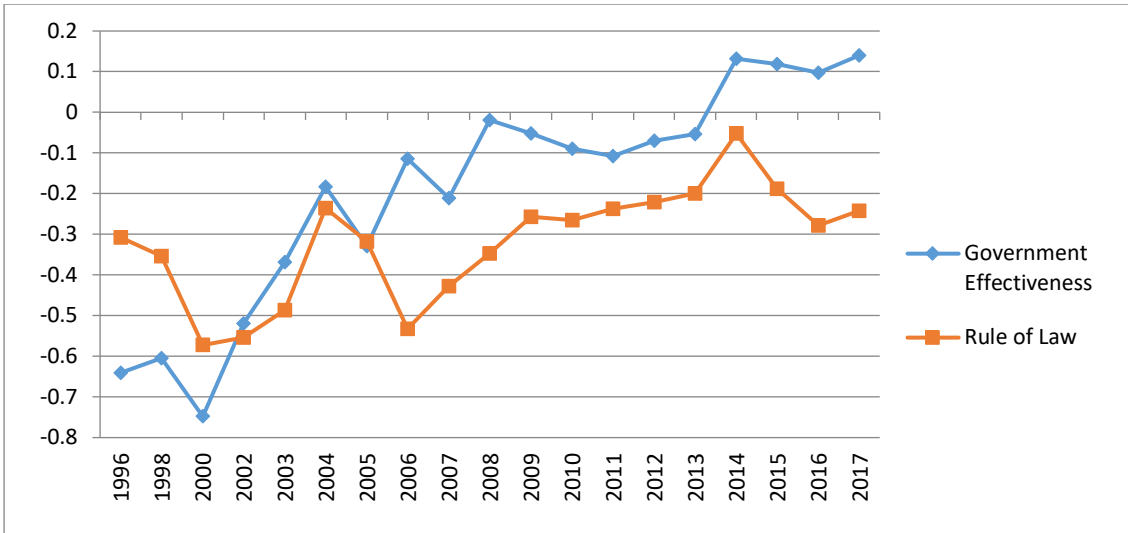


Chart 2.7.8. Macedonian political parameters

2.8. ROMANIA

Territory: 238.397 km²

Population: 19.518.117 (2019 estimate); 20.121.641 (2011 census)

Relations with the EU:	
1993	Signature of a Europe Agreement
1995	Entry into force of the Association (Europe) Agreement
1997	Candidate status
2000	Start of the accession negotiations
2004	Closure of the negotiations
2007	Romania joins the EU

2.8.1. Background

Romania has probably been the CEE country which took the longest to break up with its communist past. Although the timing of its revolution to overthrow the Ceausescu regime, in 1989, coincided with those of the other anti-communist movements in CEE, it was virtually the same rebranded party which stayed in power until 1996 with very few actual reforms to improve the economy and citizens' livelihood. The unchanged mentality, especially in the more populous rural areas, along with the elite's vested interests, fragmented opposition and large bureaucratic apparatus hampered all initiatives to achieve any meaningful progress.

1997 brought about one of the conditions "sine qua non" to launch more substantial changes and accelerate the transition process. Following the entry into force of the Europe Agreement in 1995 and the EU membership application, Romania was officially granted candidate status and allowed to open accession negotiations along with the second group of CEE countries which also included Latvia, Bulgaria, Slovakia and Lithuania in 2000. The external conditionality based on the 1993 Copenhagen criteria played an important role in the reform process of the country which was labeled as the "laggard" of enlargement policy. Furthermore, it also contributed in convincing the EU member states that the Union's broadening towards a country like Romania will not be to the detriment of its deepening, especially with the project of the Economic and Monetary Union (EMU) underway.

Box 2.8. Romania's EU integration process – a textbook example of EU's external conditionality?

Many EU scholars have treated the Romanian accession as a textbook example to examine EU's external conditionality, learn about what works, what does not and most importantly, why. According to Mungiu-Pippidi, the Romanian EU reform process resembled more that of the Balkan countries than the CEE counterparts which acceded at the same time. The EU's external influence synergistically combined with the bottom-up push for change, but not always managed to mobilize and transform the elites. On the other hand, meaningful change occurred only when domestic promoters took an active part. This was the case mostly under media pressure and criticism or when the ruling parties sought European recognition and approval. Thus, interestingly, in her findings, Europe is seen as an incentive and a prize for the domestic elites and deeper reforms tend to slow down as the prize is getting closer, i.e. with the start of negotiations and with membership (Mungiu-Pippidi, 2006).

Sedelmeier also identifies the so-called Eastern (compliance) problem, especially since the 2007 enlargement onwards and points out to two main reasons – deliberate strategic choice of a country when the incentive structure is no longer in place or involuntary defection because of limited state capacity (Sedelmeier, 2006:145-146). On the basis of these premises, Pridham examines the special “safeguard clause” of 11 points which remained in force for Romania beyond the actual end of the negotiations. It consisted of 4 items related to competition policy and 7 to justice and home affairs issues, could be invoked by qualified majority (not only by unanimity) and entailed uncertainty regarding the actual entry date (2007 or 2008) (Pridham, 2007).

The conditionality, which at different stages in the integration process uses different threats of sanctions, such as suspending the negotiations, freezing EU funds, non-recognition of the country's court decisions in other countries etc., in the case of Romania led to some progress in meeting the membership conditions and joining in 2007 as initially planned. However, since the accession and up to now, Romania is continuously being monitored by the European Commission within the framework of the Control and Verification Mechanism (CVM), together with Bulgaria. A decade later, recent annual reports published by the Commission services do not look optimistic that the country, at the current level of progress, will leave the CVM in the next few years, which supports the afore-mentioned claim that the EU accession is usually seen by domestic political elites as the end of the reform path. This leads to increased disenchantment with enlargement policy among certain member states which become much more prudent in allowing new countries to progress in the accession and contributes to raising the requirements bar higher for every future candidate country at every step of the process.

EU accession negotiations were opened in 2000 and closed in 2004. Ever since 1996 and especially during this period a broad cross-party consensus on the EU accession and the future of the country as a pro-Western ally was forged to the point that even subsequent changes in the political landscape never led to a party in power with different strategic orientation. This

was also important for the country’s NATO accession in 2004 which provided the North-Atlantic Organization with a reach until the Black Sea.

The economic “experiments” aimed at reforming the socialist economy in the 1990s led to wide-spread poverty, hyperinflation and the creation of a privileged “oligarch” class which monopolized the economy for its own interests in the years that followed. It was not until the 2000s that genuine political will and capacity for change became visible and the country engaged in structural reforms oriented towards accelerating privatization, generating growth, attracting investments, liberalizing trade, stimulating domestic consumption etc. Teamed with a gradual, but irreversible change in the political culture and greater focus on social reforms, including in areas such as healthcare and education, driven largely by its accession to the EU, Romania managed to a certain extent to catch up for the “lost” decade and transform itself into a modern European state.

2.8.2. Key findings

In terms of economic progress, Romania has made significant advancement since the 1990s. Its GDP per capita marked more than 5-fold increase from 1.680 USD in 1990 to 10.818 USD in 2017. The positive economic developments in the last 25 years are even more visible in the rise of the gross average monthly wages which rose at an annual average growth rate of 9.36%, from 80 USD in 1991 to 820 USD in 2017. However, as shown in the graphs below, this progress was not prominent not until the beginning of the 2000s, a period which overlaps with the period of the undertaken structural reforms driven by the country’s Europeanization processes.

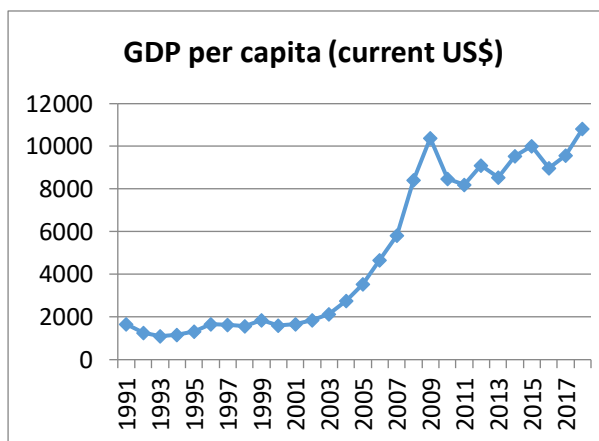


Chart 2.8.1. Romanian GDP per capita, 1990-2017

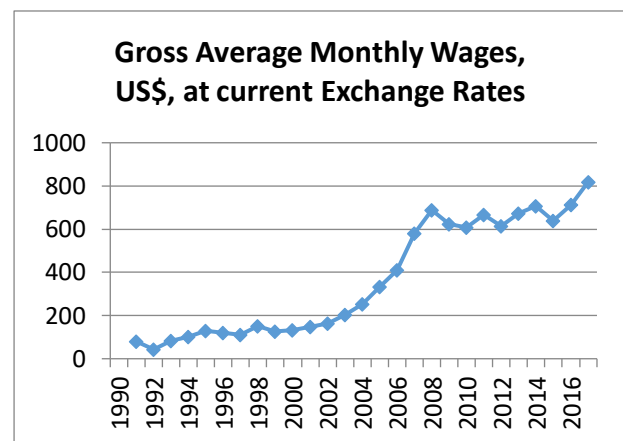


Chart 2.8.2. Romanian average monthly wages, 1991-2017

The poor economic performance in the so-called “lost decade” for Romania is also visible through the decreasing rate of the capital accumulation in the 1990s. The beginning of the new millennium is a turning point in this respect, at least until the global financial crisis in 2008 when the rate of gross capital formation as percentage of GDP reached 33.15%. This

positive economic shift after 2000 is also marked through Romania's improvement in the Competitive Industrial Performance Index.

In respect of FDI, Romania shares a similar trend with Bulgaria with a significant spike in the FDI net inflows measured as % of GDP in the period 2004-2008 and then falling back to pre-EU and NATO membership levels. On the other hand, the positive development in the economy after 2000 was followed by a down-sloping trend in respect of the public debt which reached its lowest level of 12.3% of GDP in 2007 before the global financial crisis. However, the general public debt changed its course significantly after 2008 reaching and stabilizing at around the level of 40% in the period following 2012.

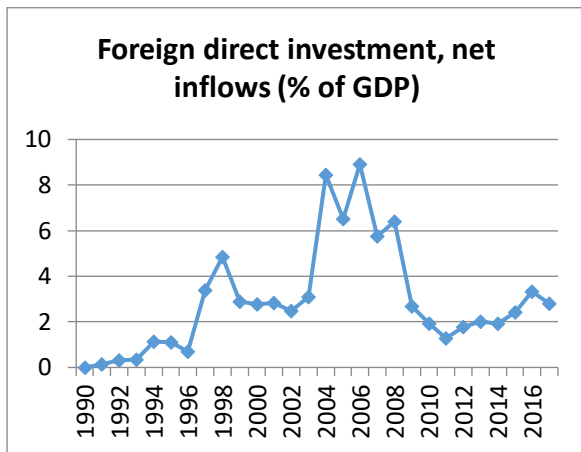


Chart 2.8.3. FDI inflows in Romania, 1990-2017

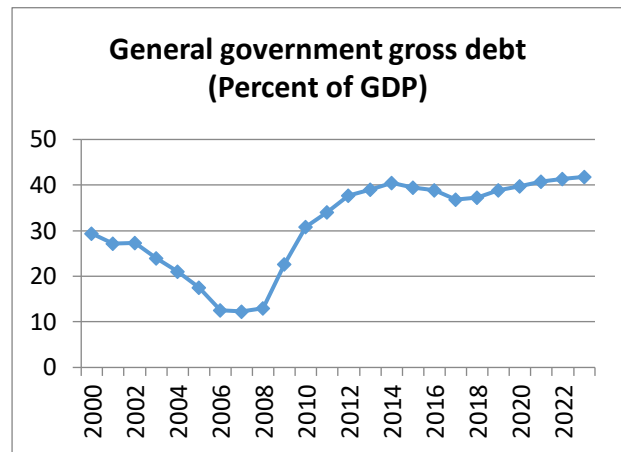


Chart 2.8.4. Romanian gross government debt, 2000-2017

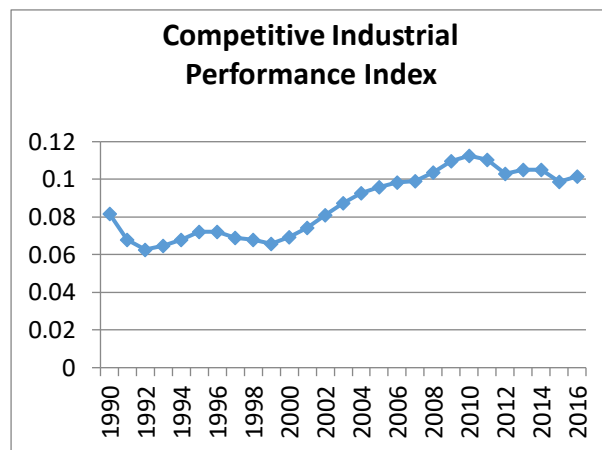


Chart 2.8.5. Competitive Industrial Performance Index, 1990-2017

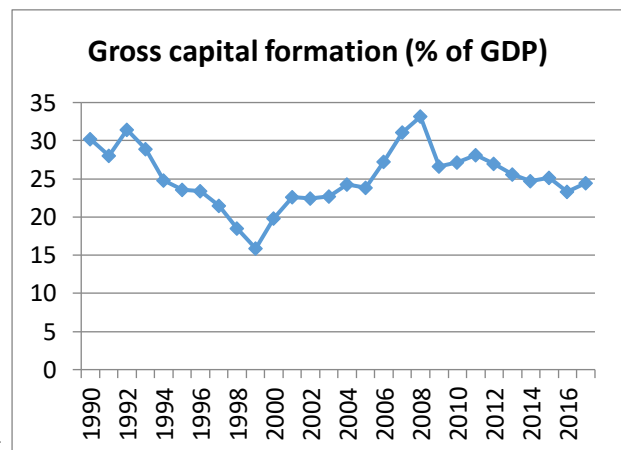


Chart 2.8.6. Romanian gross capital formation as % of GDP, 1990-2017

Romania also struggled with very high levels of inflation in the 1990s and the beginning of the 2000s but managed to anchor it below 10% after 2005. The inflation rate in the last 5 years was in the range between -0.59% and 3.98%. Positive developments in the economic performance of Romania in the 2000s also led the country's ranking on the Economic Freedom Ranking to improve from 4.15 in 1995 to 7.69 in 2016.

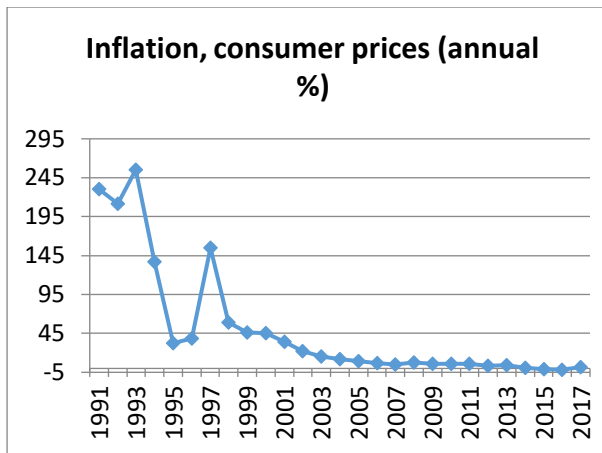


Chart 2.8.7. Inflation rate in Romania, 1991-2017

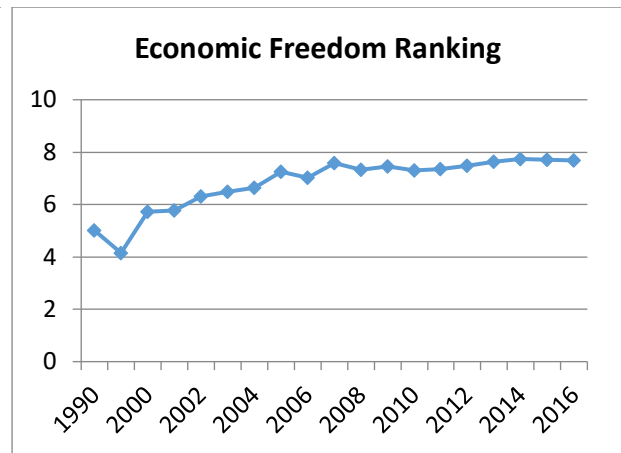


Chart 2.8.8. Economic freedom ranking of Romania, 1990-2016

Perhaps the most notable indicator of Romania’s economic progress in the last three decades is the performance in the trade sector. The graph below shows that the country’s trade has been stagnant and sluggish until the Europeanization processes took full force in the beginning of the 2000s. However, the most notable positive changes happened after Romania closed negotiations with EU in 2004 and became member in 2007, after which the trade sector showed continuous positive gains. Thus, compared to 2000, in 2017, exports of goods increased 6.4 times, goods imports 6.5, service exports 13.3 and service imports 7.9 times.

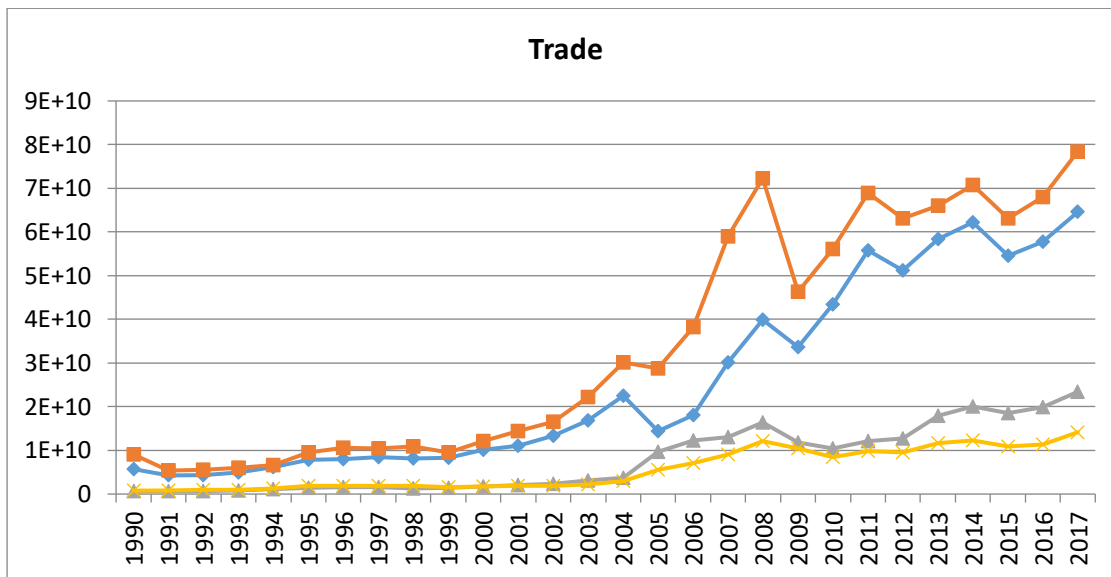


Chart 2.8.9. Romanian trade – exports and imports of goods and services, 1990-2017

With a range between 6%-8%, compared to other post-socialist countries, Romania’s problem with unemployment has not reached the same magnitude and did not present significant developments at least until 2015 when the unemployment rate gained a down-sloping trend falling to 4.6% in 2018. As part of the reason for the recent reduction in the

unemployment rate, some point out to the more pertinent Romanian problem - the great migration wave - that started right after the negotiations for EU accession began in 2002 and was intensified with the migration of skilled workers after 2007, when the country became an EU member. According to the UN statistics on Human Capital Flight, as of 2017, 3.58 million Romanians lived outside the country, more than three times the number from 2000.

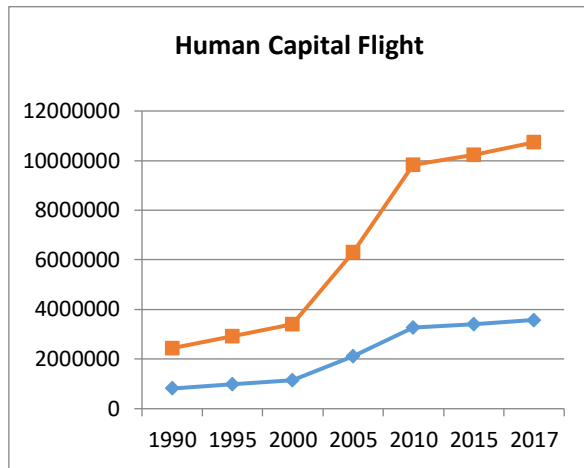
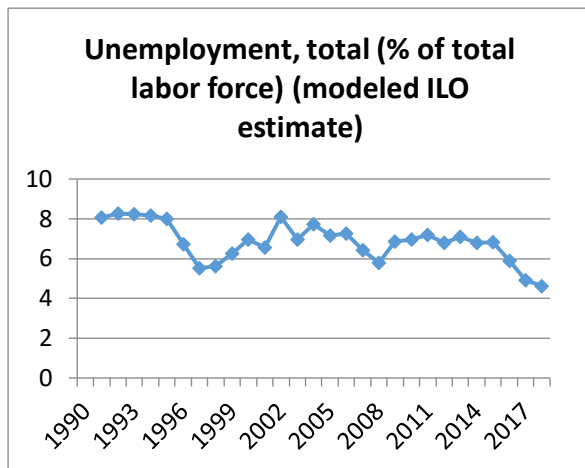


Chart 2.8.10. Romanian unemployment rate, 1990-2017 **Chart 2.8.11. Human capital flight from Romania, 1990-2017**

The progress in Romania’s economic performance has been translated to improvements in social parameters as well. Specifically, Romania has been praised for its improvement in the Human Development Index, continuously showing an upward-sloping trend and reaching a very high level of 0.811 in 2017. In terms of governance, Romania has also achieved significant positive change on the Regulatory Quality indicator, developed by the World Bank Group, which measures government ability to implement policies for the development of the private sector, moving from -0.109 in 2000 to 0.488 in 2017. Furthermore, the country has achieved great and steady positive advancement in the Rule of Law, improving its score from the lowest -0.260 measured in 2002 to its highest score of 0.388 in 2017. As for the country’s performance regarding the Government Effectiveness index, its performance has been mixed with a long period of stagnancy until 2013 and small positive improvement in the last 5 years.

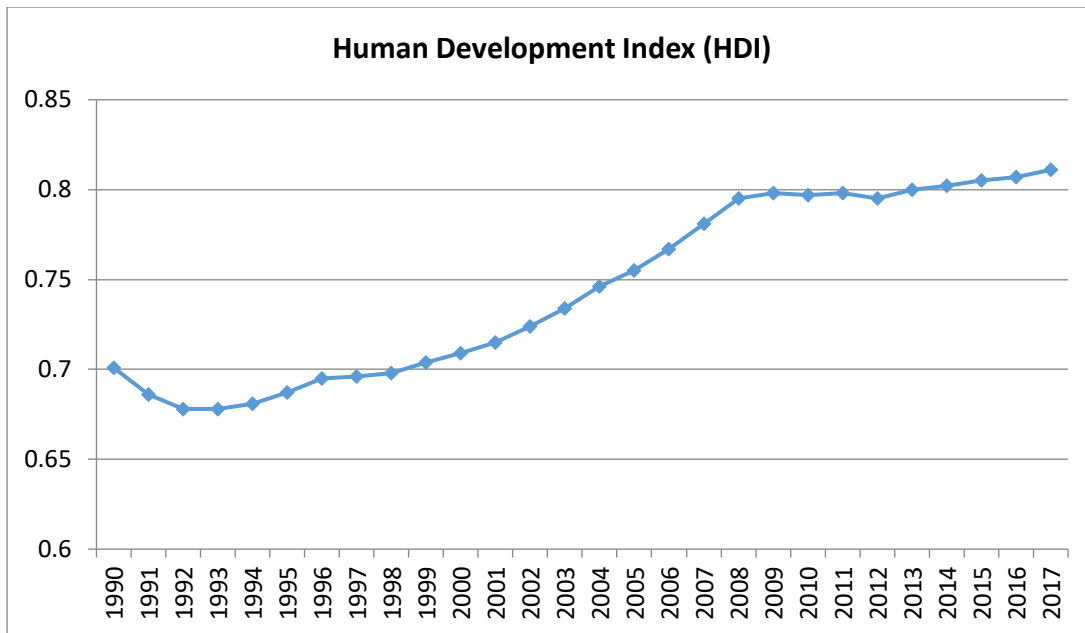


Chart 2.8.12. Romanian HDI, 1990-2017

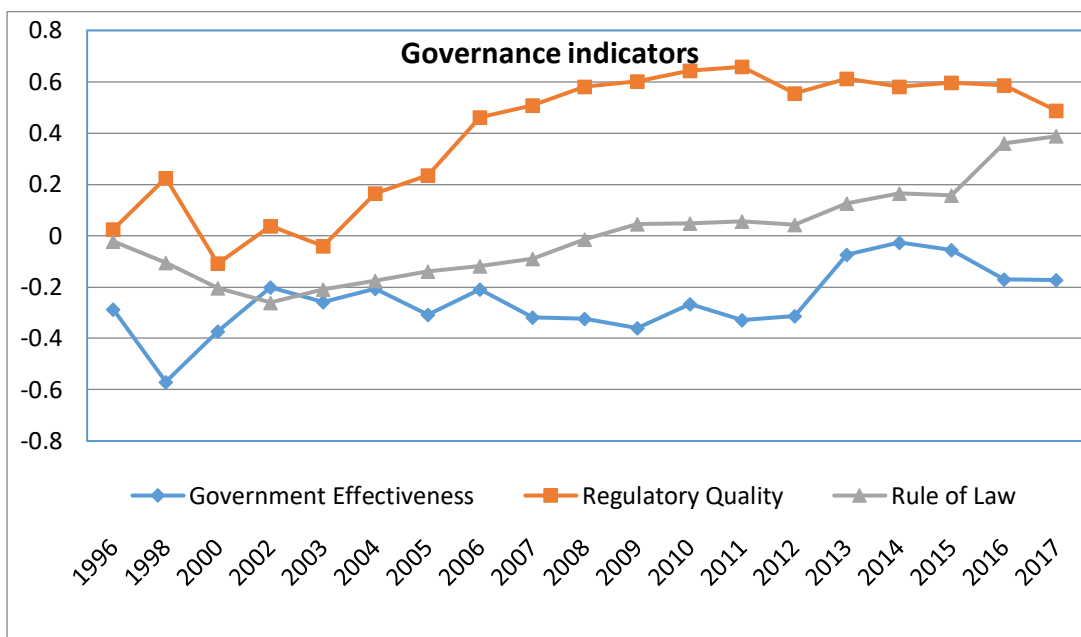


Chart 2.8.13. Romanian governance parameters, 1996-2017

2.9. SERBIA

Territory: 77.474 km²

Population: 7.001.444 (2017 estimate) / 7.186.862 (2011 census)

Relations with the EU:	
2005	Start of negotiations for a Stabilization and Association Agreement
2008	Signature of the Stabilization and Association Agreement
2012	Candidate status
2013	Entry into force of the Stabilization and Association Agreement
2014	Start of the EU accession negotiations

2.9.1. Background

Compared to most of the other countries in the Balkans, Serbia's definite intention to join the EU was belated by nearly two decades. During this period marked by strong oscillations in national strategic priorities, led intermittently by rather reformist and rather nationalist parties, Serbia faced a series of wars, internal turmoil and economic stagnation which had strong negative impact on its welfare and prosperity.

At the outset of Yugoslavia's breakup, during the elections in 1990, while 4 republics voted for a change to replace the communist systems with more democratic options which put the interest of each republic in front of the Yugoslav unity, Serbia and Montenegro voted for leaders that opted to hold the federal state together. Thus, rising ethnic tensions and the determination of Slovenia, Croatia and Macedonia to leave the federation led to a series of wars which engaged Serbia throughout most of the nineties. UN sanctions were introduced as a means of pressure against the Serbian government which further exacerbated the economy bringing the key economic and social parameters to record low levels.

Serbia continued to be an "outcast" for the Western part of the international community in the years that followed due to the Kosovo conflict which culminated in 1999 with the NATO bombing of Serbia. The next year and the presidential elections announced the demise of the Milosevic regime and the beginning of Serbia's reintegration into the global economy. However, despite the change of government, it took almost an additional decade for Serbia to recover and to clearly set itself on the path towards EU membership. While SAA negotiations were launched in 2005, the accession process was interrupted several times before Serbia obtained candidate status in 2012 and the SAA entered into force in 2013.

One reason for this, related to Serbia's legacy from the Yugoslav wars, was the cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). Namely, Serbia's progress in the EU integration was conditioned with its government's full cooperation with the ICTY in arresting and extraditing the accused criminals of war (2006-2007, 2008-2011). Another reason was the internal disagreement between political parties in power regarding the direction that the country should pursue in its foreign policy following the

unilateral declaration of independence by Kosovo in 2008. A third and probably lesser reason are obstacles by EU member states (Romania, over the issue of Vlachs, Lithuania over the election of Vuk Jeremic as President of the UN's General Assembly ahead of the Lithuanian candidate, both in 2012).

Box 2.9. Serbia's relations with Kosovo

After the end of the Kosovo war in 1999 and the adoption of UN's Resolution 1244, Kosovo was placed under transitional UN administration (UNMIK), protected by NATO's Kosovo Forces (KFOR). The failure of international talks over the status of Kosovo led to a unilateral proclamation of independence by Kosovo's Assembly on 17 February 2008. The Declaration was disputed by Serbia in front of the International Court of Justice which ruled that it did not violate international law. However, it remains a point of contention, not only domestically, in Serbia, but also among the international community which still expresses mixed attitudes towards the recognition of Kosovo's independence.

At present 102 out of 193 UN member states recognize Kosovo, not including UN Permanent Security Council Members, China and Russia. The EU has not taken a unified stance with 23 out of 28 members recognizing Kosovo, while 5 condemning the Declaration as a precedent which may trigger further instability in the region and elsewhere. However, the EU was unanimous in dispatching its largest civilian mission EULEX to Kosovo to support the UN Mission (UNMIK) with the establishment of local institutions and rule of law right after the Declaration of independence, with a mandate that has been extended until 2020.

Talks between Serbia and Kosovo authorities were initiated in 2012 under EU auspices and a deal on the normalization of the relations was brokered in 2013 in Brussels. Ever since, advancements or set-backs in the mutual relationship have been driving forward or slowing down Serbia's EU accession. The last development, the unilateral introduction by Kosovo of 100% taxes on Serbian exports in 2018, as means of exerting pressure over Serbia to recognize its independence, raised an alarm in Brussels for potential decoupling of the bilateral issue from the accession talks.

In 2014 Serbia officially started the EU accession negotiations with the ambitious goal to become a member by 2015. At present it has opened 16 and closed 2 out of 35 negotiation chapters. However, relations with Kosovo which are monitored under chapter 35 continue to weigh over its membership prospects, not only because of EU's strong preference that a solution be reached before Serbia joins, but also because of the sensitivity of the issue in Serbian domestic politics. Serbia is the country in the Western Balkans with weakest public support for EU membership, which in addition has been marking a declining tendency from 68% in 2002 to 55% in 2018 according to an annual public opinion poll conducted by the Serbian EU Integration Office. What is further striking is that 70.6% of the population declared that they were not in favor of joining the EU if recognizing Kosovo was a precondition for membership, according to a survey by Nova Srpska Politicka Misao.

2.9.2. Key findings

The wars and UN sanctions in the 1990s took a severe toll on the Serbian economy, largely destroying the well developed industrial capacity dating from the period of Yugoslavia. The Competitive Industrial Performance Index which stood relatively high at 0.0481 in 1990 decreased almost by half in 1999, to 0.0264. Although it has been slowly picking up, at 0.416 in 2016 it still has not reached the 1990 level. War expenses and subsequent reconstruction efforts also largely increased the government debt levels which stood at 224.8% of GDP in 2000. While it was significantly reduced in the decade of 2000 to only 36% in 2009, the economic crisis put an end to the positive economic cycle leading to doubling of the debt rate which in 2017 stood at 62.5%.

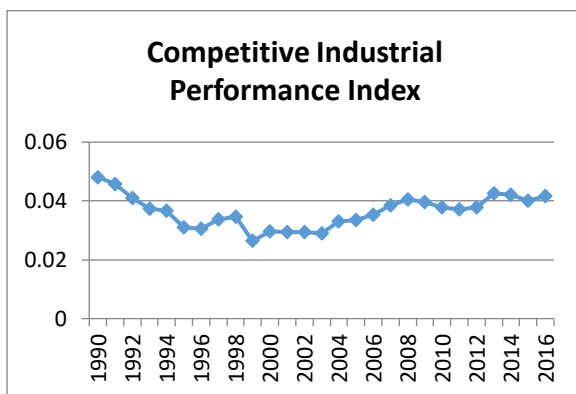


Chart 2.9.1. Serbian Competitive Industrial Performance Index, 1990-2016

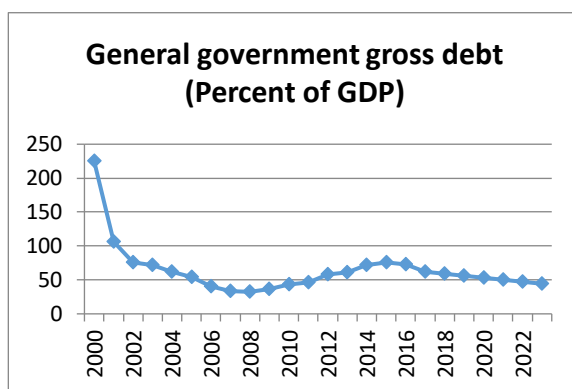


Chart 2.9.2. Serbian general government gross debt, 2000-2018

GDP per capita which started to slowly pick up after the first set of wars ended in 1995, marked a severe drop in 2000 after the Kosovo war and NATO bombing from 2.441 USD to only 870 USD. With the exception of the period surrounding the global financial and European economic crisis, it has been picking up ever since, reaching 5.900 USD in 2017. The same tendency applies to the wages, with the gross average monthly wage dropping to record low 70 USD in 2000 and increasing twelve times in 8 years to reach 820 USD prior to the crisis in 2008. Nonetheless, the period of most evident economic growth and prosperity, while clearly

related to the stabilization of the country in the post-Milosevic era and the transition to a market economy, cannot be directly associated with the milestones in the EU accession process.

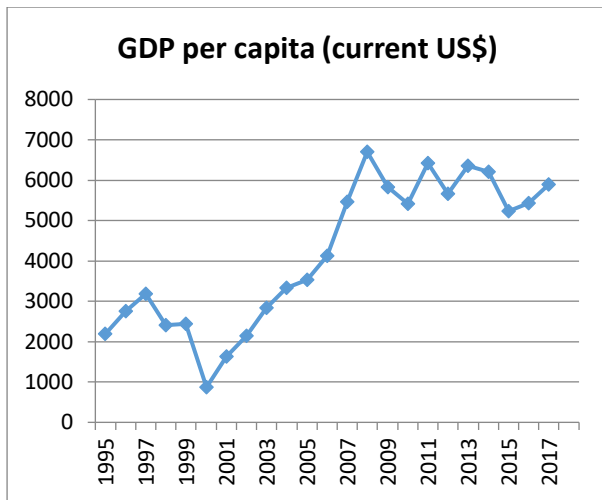


Chart 2.9.3. Serbian GDP per capita, 1995-2018

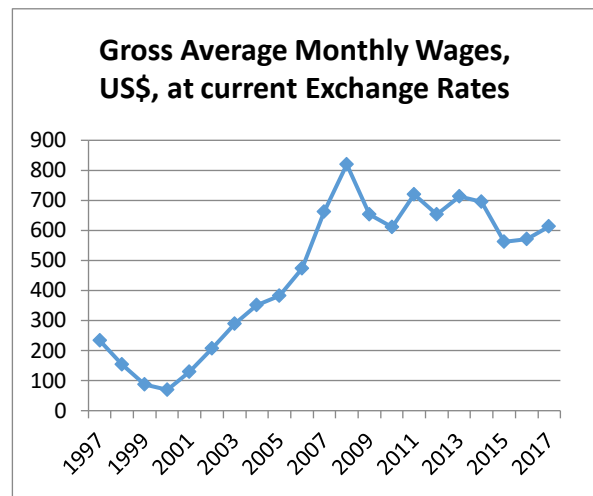


Chart 2.9.4. Gross average monthly wages in Serbia, 1997-2017

The post-war period in the 2000s was marked by a steady increase in FDI from 0.6% of GDP in 1999 to record 13.9% in 2006. FDI inflows dropped during the crisis, but have been steadily increasing since the end of the crisis which coincided with the year when Serbia obtained EU candidate status. Similar tendency can be observed in terms of capital investments which increased from 9.59% of GDP in 1999 to 30.34% in 2008. Since 2008, due to the increased public debt levels, capital investments funded from the national budget have been constant at around 20% of GDP.

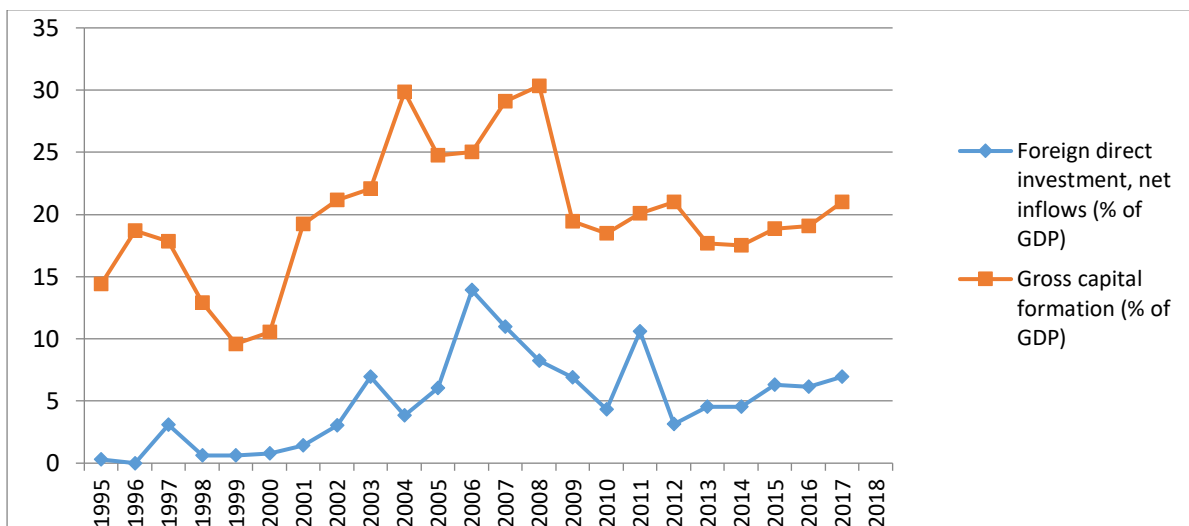


Chart 2.9.5. Foreign direct investments and capital investments in Serbia, 1995-2017

Despite the positive economic climate which started in 2000, unemployment rate constantly increased until 2006, especially in terms of youth and long-term unemployment. That can be ascribed to the process of privatization and restructuring of public enterprises which, like elsewhere in the region, usually did not go smoothly. Nevertheless, since the end of the crisis and the opening of the European perspective for the country in 2012,

unemployment has been steadily reducing alongside the increase of FDI. That tendency is also visible in terms of exports of goods and services which nearly doubled since 2009, while the increase of imports has been less than 30%, leading to improved trade balance²⁸.

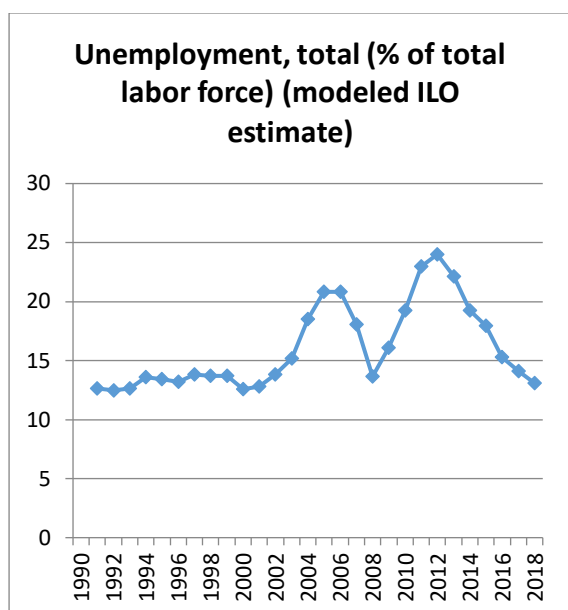


Chart 2.9.6. Serbian unemployment rate, 1991-2017

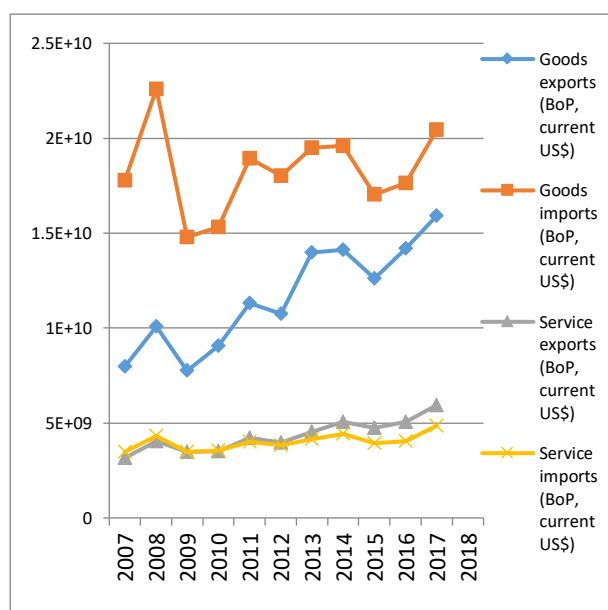


Chart 2.9.7. Serbian trade, exports and imports of goods and services, 2007-2017

As precondition to the creation of a favorable business and investment climate, the stabilization of the political situation in 2000 was accompanied by the consolidation of the government institutions which engaged in a process of policy-making according to the European standards and best practices. This positive change can be measured by the political stability and the government effectiveness indexes which stood at -1.03 and -1.06 in 1996 respectively and rose to 0.10 and 0.19 in 2017. This process, alongside the reinforcement of the market economy naturally led to improved regulatory quality, from -0.72 in 1996 to 0.01 in 2017. The change of regime in 2000 meant that Serbia clearly oriented itself towards overall democratization of the society and respect for the European values and norms. This has been reflected in the indexes related to the rule of law and voice and accountability which, albeit not in a steady and continuous way, have been improving since 2000. To sum up, the overall political parameters in Serbia, although with certain oscillations, have been improving since 2000.

²⁸ Data prior to 2007 is not available because trade was calculated jointly for Serbia and Montenegro as one country – the Federal Republic of Yugoslavia, later renamed to Serbia and Montenegro.

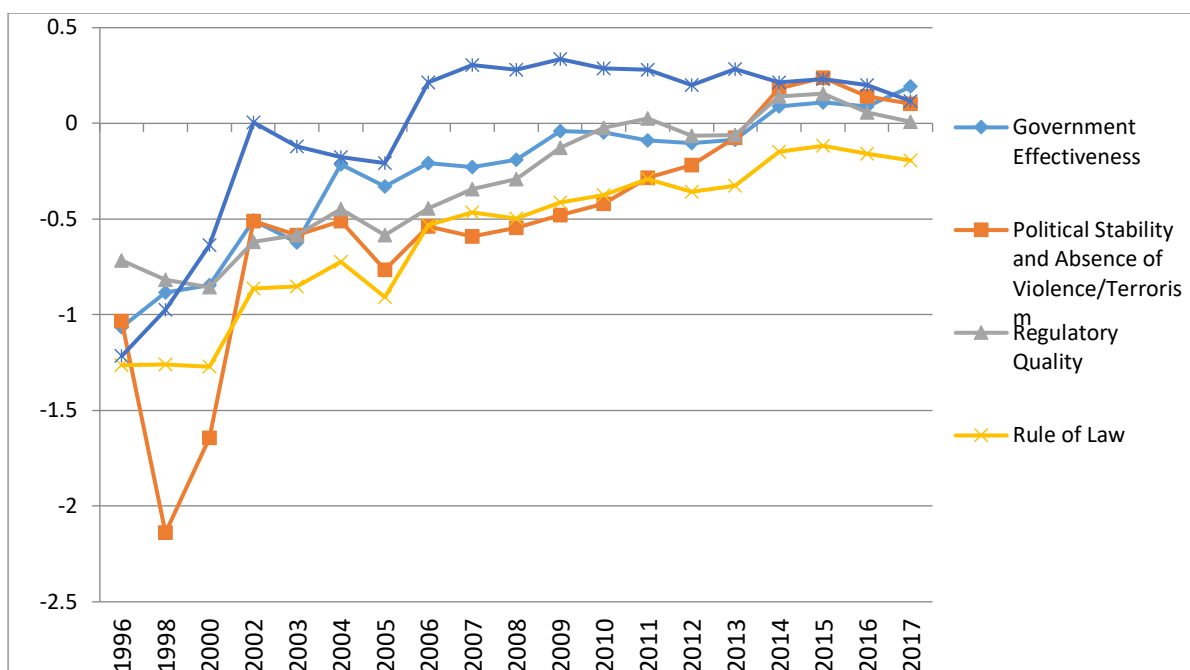


Chart 2.9.8. Serbian political parameters, 1996-2017

This resulted in continuous better ranking in terms of economic freedoms, from 5.96 in 2005 to 6.85 in 2016.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
5,96	6,39	6,77	6,55	6,58	6,56	6,64	6,55	6,68	6,71	6,76	6,85

Table 2.9.1. Serbian economic freedom ranking, 2005-2016

One phenomenon that has been very typical of the Serbian economy since the 1980s is relatively high inflation. Double-digit inflation rate were constant in the 1990s due to the instability and quite frequent in the 2000s as well. Nevertheless, since it has been granted candidate status and especially with the opening of accession talks, the country has been obliged to abide by the European rules which stipulate that inflation rates need to be below 2% annually. Thus, since 2014 inflation has been stabilised.

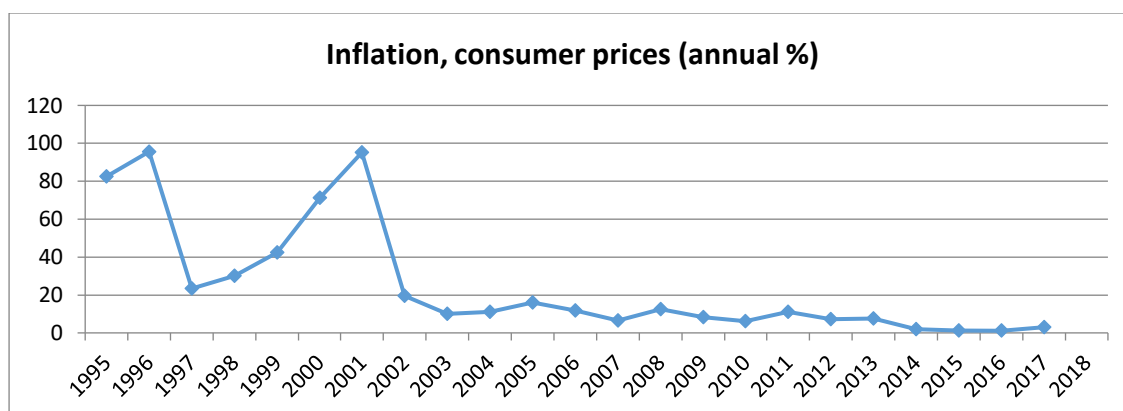


Chart 2.9.9. Serbian inflation rate, 1995-2017

In terms of social parameters, while the Human Development Index improved by only 0.7 between 1990 and 2017, from 0.72 to 0.79, social inequality reduced with the GINI index dropping from 36.5 in 2005 to 28.5 in 2015. In terms of poverty headcount, given the limited availability of data only since 2012, the average percentage of the population fluctuates between 24.5% and 26.7% and no tendency neither any major improvement can be observed.

2.10. SLOVENIA

Territory: 20,273 km²

Population: 2.080.908 (2018 estimate) – 1.964.036 (2002 census)

Relations with the EU:	
1993	Signature of a Cooperation Agreement.
1997	Green light from the Council to open accession talks.
1999	Entry into force of the Association (Europe) Agreement. Submission of EU membership application.
2002	Closure of the accession negotiations.
2004	Slovenia joins the EU
2007	Slovenia joins the Euro and Schengen areas.

2.10.1. Background

Revolutionary and independentist spirit in Slovenia pre-dated all the similar movements in the other former Yugoslav republics. In 1989 Slovenia already had adopted a strategy called Europe 1992 which aimed to help the country prepare for its new relations with Europe. At the referendum held at end of 1990, an overwhelming majority of 88.5% of the voting population expressed themselves in favor of independent Slovenia. The preparations and the declaration of independence triggered the so-called 10 Day War between the Slovenian territorial defense forces and the Yugoslav Army which ended with the Brioni Accord and few casualties. Following an initial 3-month postponement of the independence brokered by the European Union, Slovenia became an independent state recognized by the international community in the beginning of 1992.

Slovenia has always been a more prosperous country than most of the other Yugoslav republics and had a better starting economic position at the beginning of its independence. Even more broadly, in the camp of the Central and Eastern European countries that joined the EU at approximately the same time, Slovenia distinguished itself by the sound political leadership, cross-party consensus on issues of national interest and gradual, well-thought approach to economic reforms. This contributed to Slovenia quickly catching up on the other countries that had already in place cooperation mechanisms and association agreements with the EU, thus becoming one of the role models in terms of Europeanization.

Contractual relations with the EU were initiated in 1993 by the signature of a Cooperation Agreement, extending the preferential access to the EU market that Slovenia inherited from Yugoslavia. However, further steps leading to association status through a Europe Agreement and possible EU membership were hampered because of Italy's opposition and a number of additional conditions for Slovenia to fulfill, related inter alia to the status of the Italian minority in Slovenia, the compensation for the expropriated Italian property in the

border areas at the end of the Second World War as well as the right for foreigners to purchase and own land in Slovenia before it becomes EU member.

The Europe Agreement which was signed in 1995 finally entered into force in 1999 and the same day Slovenia filed membership application, although it had already been granted green light by the Council to start accession negotiations in 1997, alongside the more advanced candidate countries at the time, such as Poland, Hungary, the Czech Republic, Estonia and Cyprus. The positive development was ascribed to the political and economic stability and prosperity which led to the fulfillment of the Copenhagen criteria, while concerns were expressed by the European Commission regarding the readiness of the country to assume the obligations stemming from the EU acquis, especially in areas like the internal market, environment, employment, social affairs and energy. As a result of the broad political consensus and support for EU membership, as well as the better starting position in comparison to most other countries in the region, Slovenia's negotiation process developed in a relatively smooth manner and created an impetus for all the necessary reforms to be implemented in due time. This led to Slovenia's accession in 2004 and contributed to its becoming the first member state of the Eastern enlargement to introduce the Euro and hold the EU presidency in 2008.

Box 2.10. 15 years EU membership: Slovenia before and after

At the occasion of the 15 years anniversary since Slovenia joined the EU, the Government published a series of statistics aimed to showcase the progress achieved in certain areas. According to the published data, Slovenia is one of the few CEE countries that have not witnessed a decline in the population since the accession as a consequence of professional migration to the more developed Western countries. To the contrary, the small country of approximately 2 million has 70.000 people more in 15 years. The number of start-ups more than doubled, from 9.106 to 18.631. In addition, there is an important rise in terms of average life expectancy, especially for men from 73.48 to 78.05 years. The numbers of children in pre-school education increased by 19%, from 61.4% to 80.4%, while the number of connections to the sewerage network increased by 56.24%.

While these statistics seem to be cherry-picked or random at best, they nevertheless present a clear tendency of general improvement with regard to the life standard and quality of life for Slovenian citizens at least in terms of the examined parameters. However, a more detailed analysis beyond the scope of this research is needed in order to make an attempt to quantify such changes in the hypothetical absence of EU membership as a variable.

2.10.2. Key findings

Slovenia's successful political transition, societal transformation and economic results since it joined the EU are hard to contest. Within less than 10 years EU membership, it reached 80% of the EU's average GDP and overtook older members, like Portugal or Greece and all the other newcomers from Central and Eastern Europe. GDP per capita almost tripled in comparison with the post-Yugoslav years in 2008, fell slightly during the crisis and is now catching up. In addition, while data on average salaries is only available since 2002, the year when the country finished the EU accession talks onwards, an upward trend can be observed with gross monthly wages doubling in 15 years.

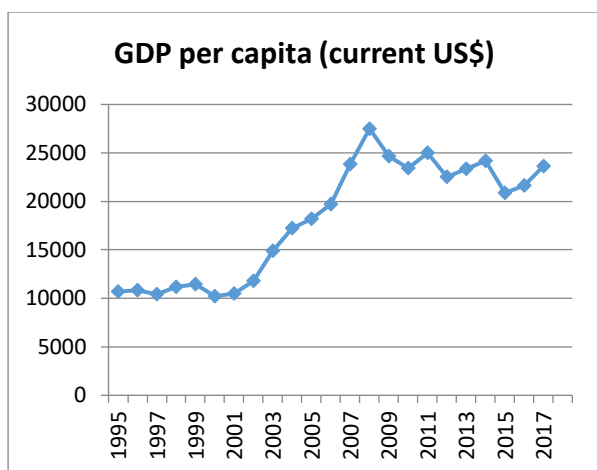


Chart 2.10.1. Slovenian GDP per capita 1995-2017

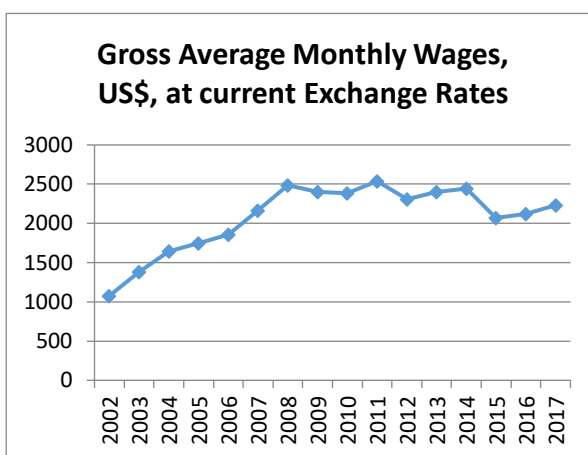


Chart 2.10.2. Slovenian gross monthly wages, 2002-2017

Slovenia has always led prudent economic policies and maintained its public finances in order, despite the usual budget deficit and thanks to its quick GDP growth. However, given the big ratio of nationally owned banks in the banking sector and their need for rescue, the government debt started to rise from a record low of 21.6% of GDP in 2008 to a record high of 82.6% in 2015 and has been slowly decreasing ever since the situation stabilized. The bad economic situation was also reflected in the levels of capital investment which, ever since the crisis account for a very low percentage of the state budget.

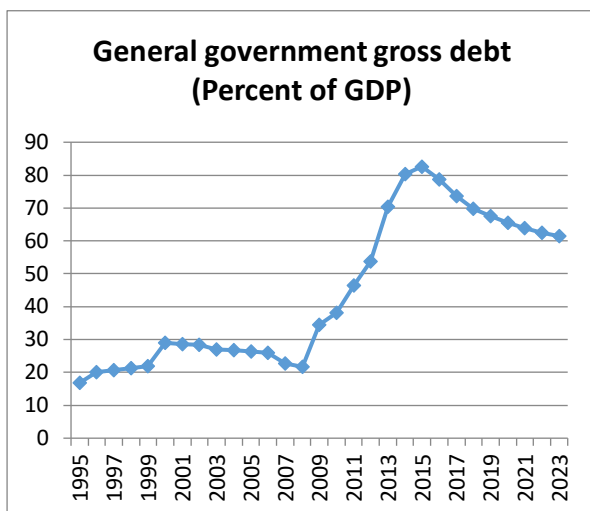


Chart 2.10.3. Slovenian gross government debt, 1995-2023 (projection)

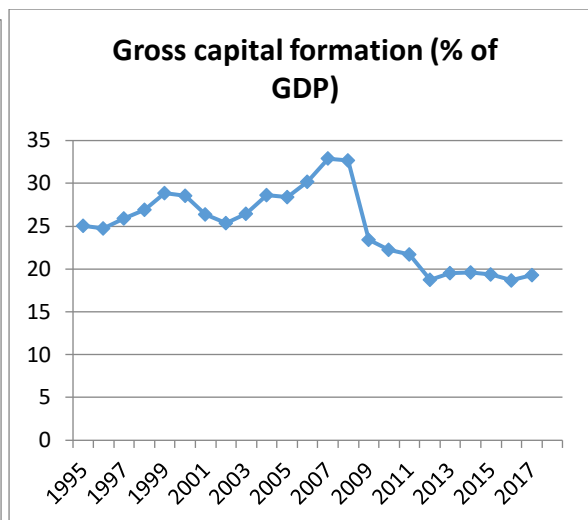


Chart 2.10.4. Gross capital formation in Slovenia, 1995-2017

However, the generally positive economic dynamics, especially since the entry of the country in the EU and the end of the crisis are undeniable. Unemployment has always been relatively low, peaking at a double-digit figure of 10.1% only in 2013. Inflation, being extremely high in the first years of independence and at the same time being one of the most important macroeconomic parameters for a country which has been in the Eurozone since 2007, has been stabilized since 2008. In addition, trade picked up relatively quickly to reach 5.7 and 6.1 times increase in exports and imports of goods respectively, and 5.8 and 5 times increase in exports and imports of services.

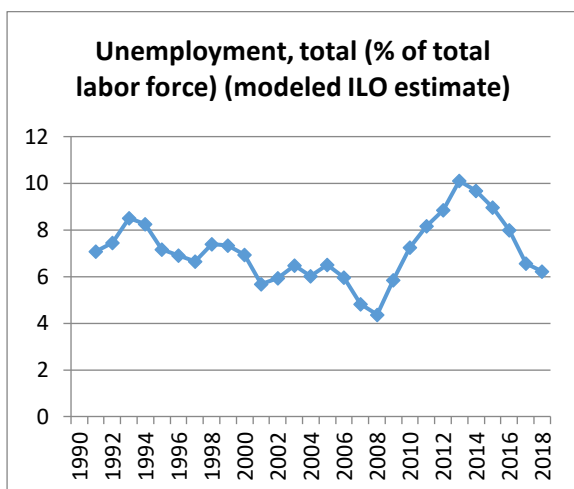


Chart 2.10.5. Unemployment rate in Slovenia, 1990-2017

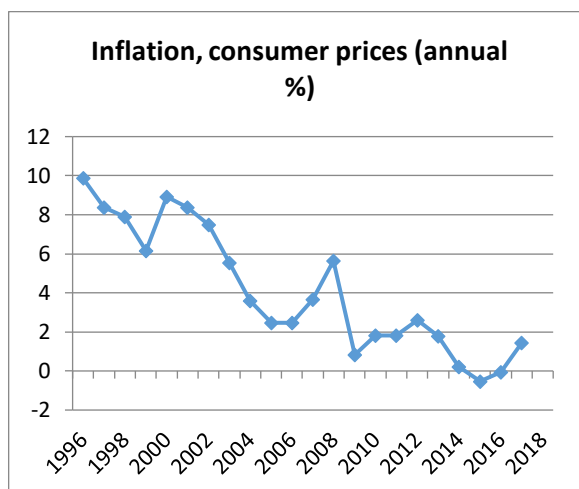


Chart 2.10.6. Inflation in Slovenia, 1996-2017

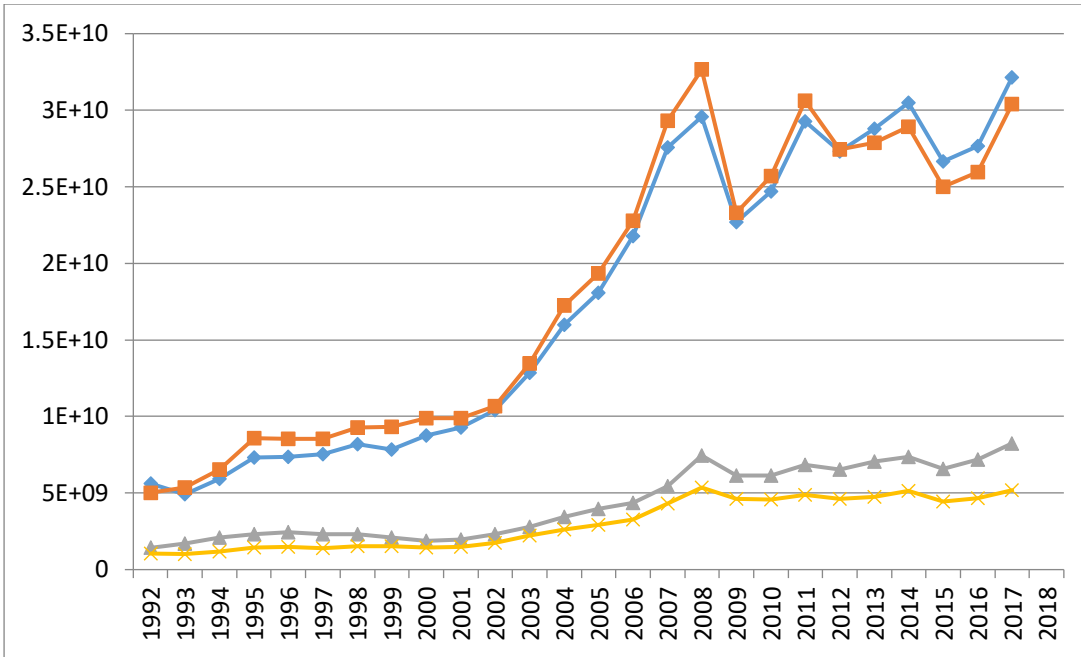


Chart 2.10.7. Trade in goods and services in Slovenia, 1992-2017

It is interesting to note that Slovenia is the only Balkan country that has never had negative scores in terms of political criteria, which speaks in favour of the argument that the country, in terms of level of political culture, has always been closer to the European West than to the East.

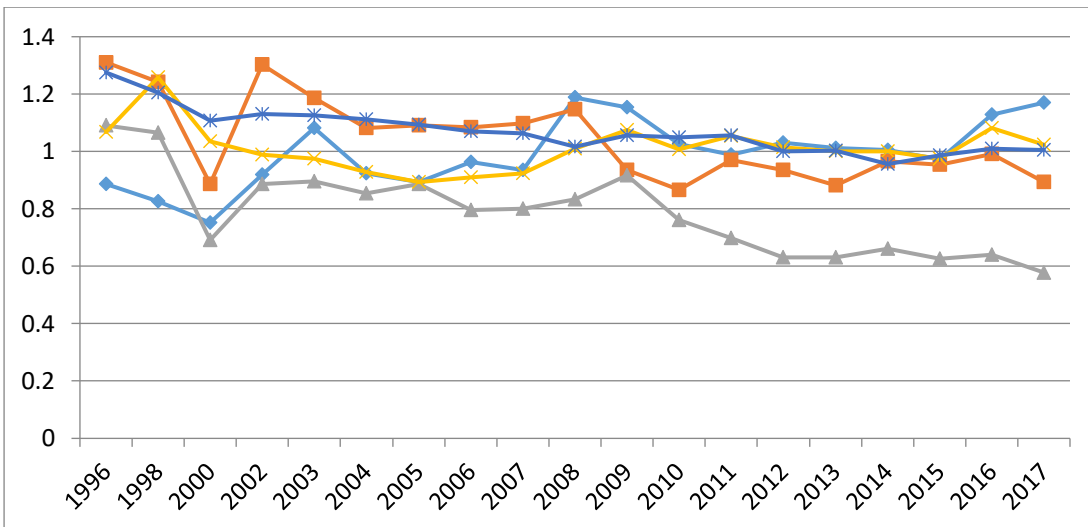


Chart 2.10.8. Political criteria in Slovenia, 1996-2017

The good economic and political outlook has been reflected in the social parameters as well. Slovenia has maintained relatively low emigration rates compared to the other Balkan countries, whether speaking about the post-war period or after its entry in the EU. Its Human Development Index is relatively high, even higher than many older EU member states, while the number of people living below poverty lines is lower. Nevertheless, it is worth noting that,

although data is not available for the period preceding the EU accession, since the country joined the EU and for a period of 10 years, poverty headcount has increased.

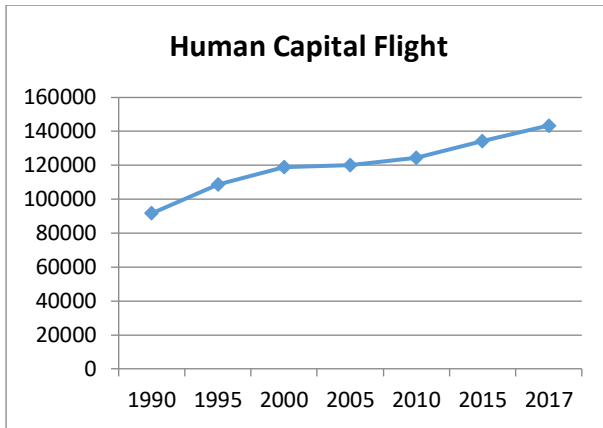


Chart 2.10.9. Human capital flight from Slovenia, 1990-2017

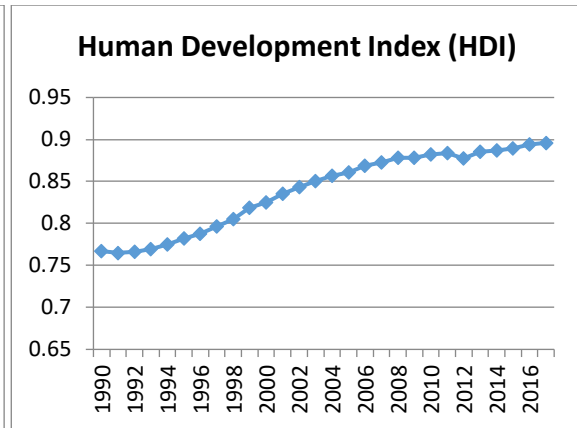


Chart 2.10.10. Human development index in Slovenia, 1990-2017

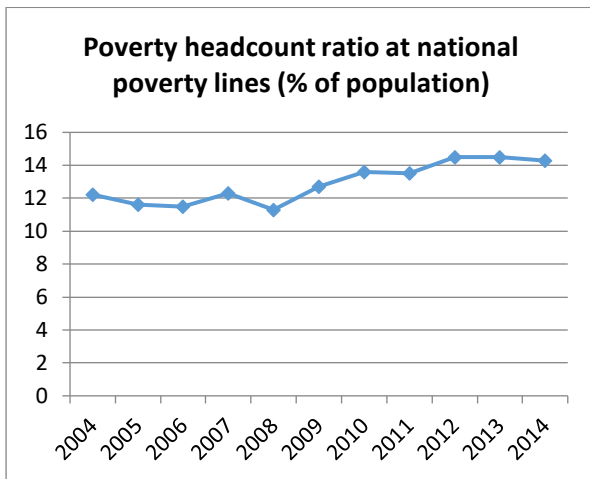


Chart 2.10.11. Poverty headcount ratio in Slovenia, 2004-2014

PART 3: OTHER ACTORS

The Balkans have always represented a crossroad of different cultures and civilizations which often competed with each-other for land, resources and influence. This image has not changed until present day when, although national borders are sovereign and relatively stable, various European and non-European powers seek to establish and maintain their interests. While EU and NATO membership may impose certain restrictions to the possibility that different sources influence their members, the latter are far from being immune or excluded from the geopolitical and geostrategic regional chess-game. Furthermore, the slow EU integration process has paved the way especially for the non-EU states in the Western Balkans to pursue multi-vector foreign policy independently and to open themselves to more intensive cooperation with other, especially non-European stakeholders.

The gap stemming from EU's oscillating policy to the Western Balkans is being partly filled in by new regional powers, such as Turkey, Russia, and China. Various reasons, including the need for increased investments, both in infrastructure and FDI, especially following the financial crisis and the austerity measures, have opened up opportunities for other actors to engage with the Western Balkans, not just economically, but also politically and even strategically. Some of them are synergetic to the EU integration process; some of them seek to undermine it. In this sense, Russia and Turkey are more than keen to strengthen old regional ties and friendships. China and several Gulf states are relative newcomers to the region with specific economic interests. Radical forces linked with Islamic State have also appeared in the Balkans.

The EU is no longer the only "show in town". The governments in the region, faced with criticism from their Western partners, oftentimes find themselves in a difficult situation to have to reconcile the cooperation with these non-European countries and the strategic choice of EU and NATO membership. While the acceding countries "*might be attracted by the economic and political allies from the United Arab Emirates and China afar to Russia and Turkey, they cannot offer the same level of economic and political integration as the EU, nor are such relations based on similarly stable foundations, and are thus more likely to be volatile*" (BIEPAG, 2014).

3.1. ECONOMIC MEANS OF INFLUENCE

3.1.1. Official flows of aid and finance

As a proxy to assess the capacity to exert economic influence, we first look at the inflow of development resources from each of the considered external actors to the economies of the selected 9 countries of the Balkans. More specifically, we choose the OECD's Total Official Flows²⁹ measure as defined by the Development Assistance Committee (DAC). This measure is a sum of the Official Development Assistance (ODA) and the so-called Other Official Flows (OOF) by the official sector, while the private sector is excluded. The Total Official Flows chosen here covers gross disbursements and it is comprised of: concessional and non-concessional grants or loans undertaken by official state and local agencies, including such with commercial motives as well; official bilateral transactions with intention to promote development, but with a grant element of less than 25%; as well as export credits.

OECD possesses data on most of the considered external actors, except for Russia and China, as these countries do not officially publish information on provided aid. However, AidData by William & Mary³⁰ have collected large dataset for China's foreign aid projects during the year between 2000 and 2014. Besides the period mismatch, the collected data contain information on China's project commitments rather than actual disbursements so they are not directly comparable to the OECD's data and therefore, China's case is separated in the following analysis. Nonetheless, because in essence both measures (actual gross disbursements vs. commitments) tell the same story, we believe that China's economic influence and interest on the Balkans could also be properly presented based on this dataset. Russian case on the other hand, in terms of available data is more challenging and a complete account of Russian aid data does not currently exist. To bypass this, in the analysis below, we consider several prominent Russian pledges of loans and grants provided in the region in the last years and recorded in the media.

²⁹ Data calculated from OECD, available at:

https://stats.oecd.org/Index.aspx?DataSetCode=REF_TOTALOFFICIAL

³⁰ Available at: <https://www.aiddata.org/data/geocoded-chinese-global-official-finance-dataset>

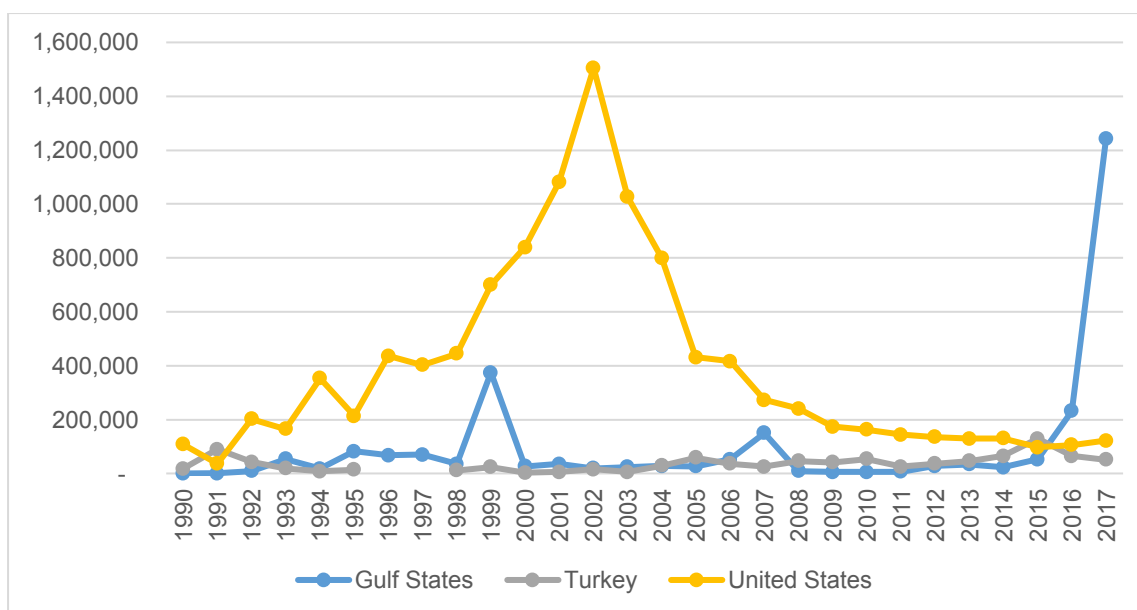


Chart 3.1.1.1 Total Official Flows (USD 2016 prices, thousands), 1990-2017

Country from the Balkans	External actor			Grand Total
	Gulf states	Turkey	United States	
Albania	202,135	252,672	901,680	1,357,022
Bosnia and Herzegovina	949,710	333,999	2,363,759	3,647,730
Bulgaria	14,650	47,605	643,243	705,498
Croatia		5,897	1,128,206	1,134,103
Montenegro	42,171	47,810	99,715	189,712
North Macedonia	4,331	147,072	801,626	953,481
Romania	183	63,587	1,921,475	1,985,246
Serbia	1,493,893	64,836	2,980,914	4,628,636
Slovenia		67	33,519	33,587
Grand Total	2,707,072	963,545	10,874,137	14,635,014

Table 3.1.1.1 Total Official Flows (USD 2016 prices, thousands), 1990-2017 – disaggregated by country recipient

Chart 3.1.1.1 above shows that during the years between 1990 and 2015 the United States have dominated in terms of the flows of developmental resources to the Balkans. Table 3.1.1.1 shows that within 1990-2017 the United States have cumulatively poured more than 14.6 billion USD, which is double the amount of developmental resources of the other countries considered. However, the chart also shows that the peak has been reached in 2002 with gross disbursements of more than 1.5 billion USD after which followed a trend of continuous fall until 2009 hitting a plateau level at around 130 million USD, lasting until today. From the chart

and the table, it is also noticeable that the Gulf states have increased their activity in recent years, however, this is mainly driven by the large loan provided to Serbia by UAE. The Gulf states have also provided aid to Bosnia and Herzegovina during the wars in 1990's which makes Bosnia and Herzegovina a recipient of almost a billion USD from this group of external actors.

Turkey on the other hand, has also lately demonstrated an increase in official flows going to the selected 9 countries from the Balkans, based on versatile projects, with highest official flows level of 129,4 million USD recorded in 2017. Obviously, Turkey's recipients of the highest levels of flows within the period 1990-2017 are countries with predominantly Muslim population such as Bosnia and Herzegovina and Albania.

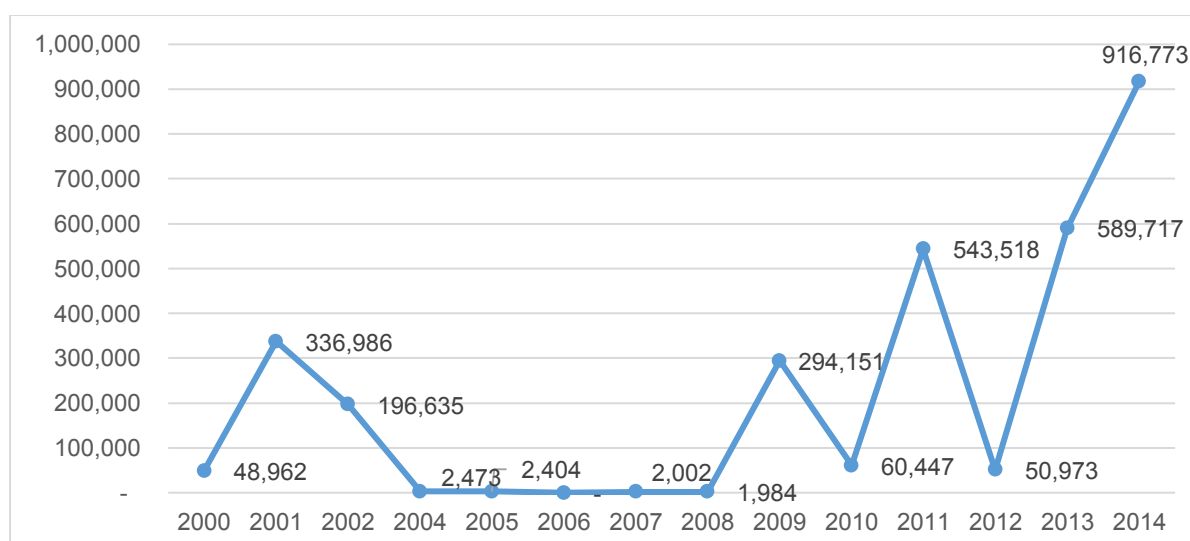


Chart 3.1.1.2 Chinese Official Finance (ODA+OOF, commitments, USD 2014 prices), 2000-2014

Country from the Balkans	China as an external actor
Albania	291,071
Bosnia-Herzegovina	543,639
Bulgaria	95,955
North Macedonia	795,912
Montenegro	1,021,274
Romania	2,359
Serbia	296,816
Grand Total	3,047,026

Table 3.1.1.2 Chinese Official Finance (ODA+OOF, commitments, USD 2014 prices), 2000-2014 disaggregated by country recipient

Chart 3.1.1.2 and Table 3.1.1.2 above show that China has also been active in terms of committed resources to ODA and OOF for the considered Balkan countries, especially in the late years after the Belt and Road initiative was launched in 2013. Within the period 2000-2014

it has committed more than 3 billion USD for development resource flows to these countries. According to the data in Table 3.1.1.2, by 2014 Montenegro and Macedonia were the recipients of highest level of committed resources with 1 and 0.8 billion USD respectively. The finances were mainly dedicated to the loans for building highways in both countries, which is present unprecedented largest construction undertakings probably within the last five decades. However, even though the data is limited to 2014, Chinese economic developmental influence in the region had grown even further within the last five years, especially in Serbia where major construction projects were agreed. Serbian infrastructure minister has announced in July 2019 that they further plan to borrow 1 billion EUR from China for development projects³¹.

Finally, over the past few years Moscow has used loans and strategic acquisitions, proposed energy projects, trade and other investments to deepen its relationship with the Balkans. In 2012-13, the Russian government “agreed to bail out the Serbian economy to the tune of 0.8 billion EUR. The Russian Railways company is currently refurbishing a 350-kilometre stretch of track in Serbia at a cost of EUR 0.75 billion” (Clark and Foxall, 2014:9). The Russian state-owned oil company, Zarubezhneft, without a tender, acquired the Rafinerija Nafta Brod oil refinery and the Modriča motor oil plant in Bosnia and Herzegovina, located in Republika Srpska. It also “acquired the local retailer, Nestro Petrol, which now has a chain of 82 petrol stations and a 35% share of the market” (Clark, Foxall, 2014:8). In Republika Srpska, the government is negotiating a 270 million EUR loan from Russia that will allow the entity to cover its deficit without the need to renew its existing International Monetary Fund (IMF) loan. A growing energy market in its own right, the Western Balkans is also becoming increasingly important as a transit route to the rest of Europe. This is the case both for Russia in its efforts to bypass Ukraine and for new suppliers in the Caspian basin hoping to bypass Russia – including the aborted Nabucco pipeline and the Baku-Tbilisi-Ceyhan (BTC) pipeline. Following the cancellation of the South Stream development, Russia made deals to build Turkish Stream, a massive gas pipeline that will travel from Russia, transit through Turkey and stop at the Greek border – giving Russia access to the southern European market.

3.1.2. Trade and private investments

Turkey

The influence of Turkey on the economies of the Western Balkans through trade is steadily growing. The trade volume between Turkey and the Western Balkans ‘increased by more than fourfold between 2002 and 2012’. (Ekinci, 2013:20) Turkish investments in the Western Balkans have focused on various sectors, including strategic ones such as telecommunications, energy, transportation, and finance. Prominent investments include the airports in Prishtina, Skopje, Ohrid and Zagreb. Turkish banks began operating in Western Balkan countries in the early 1990s and have become more active during the past few years, including Turkey’s Calik Holding purchasing Albania’s 2nd largest bank, Halk Bank entering

³¹ See: <https://www.reuters.com/article/us-serbia-investment-china/serbia-wants-billions-in-foreign-loans-to-invest-in-infrastructure-minister-idUSKCN1U71VG>

the sector in Macedonia, and the Turkish Economy Bank opening branches within Kosovo. In Bosnia and Herzegovina, Turkey acquired 49% of BH Airlines, opened several branches of the its state-owned Ziraat Bank in the country, therewith providing local financial empowerment, and Natron Hayat invested 90 million dollars in the country's paper industry. Turkish firms have undertaken large construction and housing projects, while a large number of small Turkish enterprises operate in the manufacturing and services sectors.

Russia

In terms of trade, Russia has so far concluded multiple bilateral trade agreements in the region, such as the Trade and Economic Cooperation Agreements and Treaty for the Avoidance of Double Taxation with Albania, trade and economic cooperation agreements with Bosnia and Herzegovina and the Bilateral Free Trade Agreement with Serbia. It is also currently negotiating a trade agreement with Montenegro.

Private Russian companies favoured by the Kremlin also have a “large presence in s Bulgaria – in the country's largest fuel distributor, Petrol Holding, in the Burgas oil refinery (the largest in the Balkans) and a major oil-storage depot, giving it a 74% overall share of the Bulgarian wholesale market in oil products” (Clark, Foxall, 2014:8). Moreover, the Moscow-based oil multinational Lukoil now “owns 79.5 % of the local service-station chain Beopetrol, along with hundreds of filling stations across Bulgaria, Serbia, Montenegro, Macedonia and Croatia, while Gazprom holds majority ownership of Serbia's largest natural gas supplier” (Blome et al, 2014).

Gulf states

Today, the influence of the Gulf States (Kuwait, Qatar, United Arab Emirates and Saudi Arabia) is no longer limited to the religious and cultural sphere, but driven by business interests as well. Arab countries are increasingly making economic investments, particularly in tourism, construction (e.g. Belgrade Waterfront), agriculture, aviation (Air Serbia) and military technology (Hänsel, Feyerabend, 2018).

China

Chinese economic presence through trade and private investments in the Balkans, although on the rise, has been quite limited due to a current mismatch between the Balkan demand and Chinese supply. The regions trade with China account for less than 6% of the region's total trade compared to the 73% EU's share of trade³². Chinese FDI in the region are also very low at a level of only 3%, while EU is by far the greatest investor with more than 60% of the total FDI³³. While Balkan countries need greenfield or brownfield investments to enhance their economic growth and reduce unemployment, China favors mergers and acquisitions that will bring along new technology, brands and access to new sizeable markets. This mismatch acts as serious impediment to increase Chinese presence in the region through the private sector. On the other hand, investments in the public sector have been a rising trend in all the Balkan countries, except in Albania where its presence is only visible through

³² See: <https://www.theglobalist.com/balkans-china-fdi-belt-and-road-eu/>

³³ Ibid.

acquisitions, including the most prominent one of the Tirana airport, but also through around 100 smaller companies.

United States of America

Considering that USA is an OECD member, the statistics on the US economy and its economic relations worldwide are abundant. Further, they are supplemented with high quality data from domestic sources such as the U.S. Bureau of Economic Analysis (BEA). The richness of data enables us to set the following analysis for the US economic means of influence in the selected Balkan states through trade and investment in a broader timeframe of 10 years.

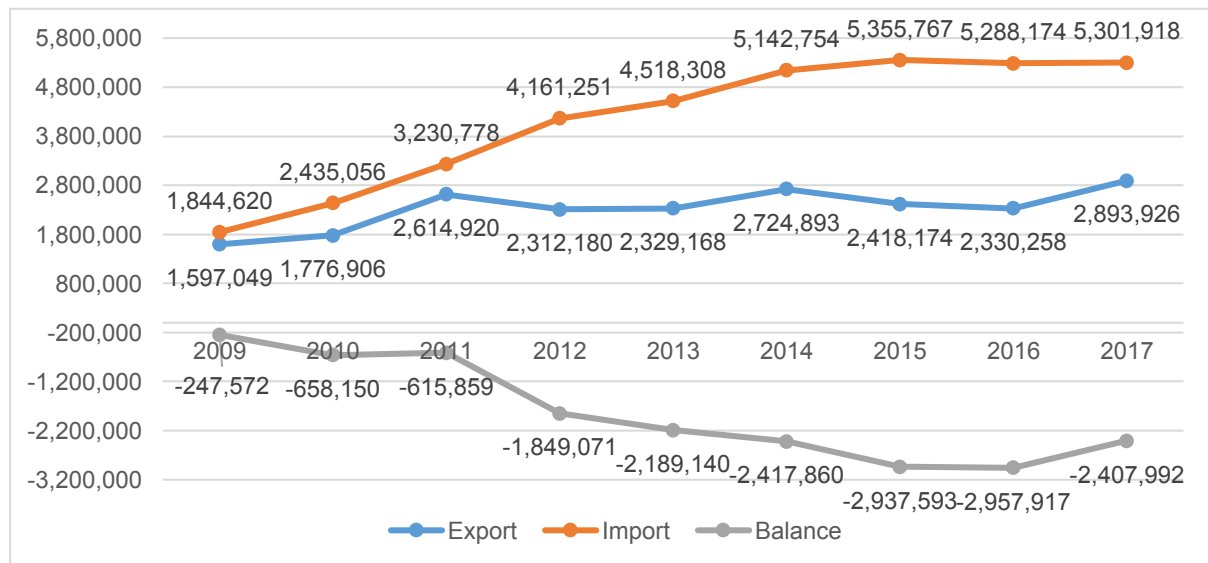


Chart 3.1.2.1 Imports, exports and trade balance in goods and services between the USA and the 9 selected Balkan countries, USD, thousands, 2009-2017; Source: Authors' calculation from UN Comtrade

As shown in the chart above, in terms of trade, USA and the chosen set of 9 Balkan countries had intensified their relations with within the last decade. Chart 3.1.2.1 clearly presents that both exports and imports from the Balkan countries has been increasing within the period 2009-2017, with the imports exhibiting a higher slope. The balance of trade remained in deficit for USA, rising from 247.5 million USD in 2009 to almost 2.5 billion USD in 2017.

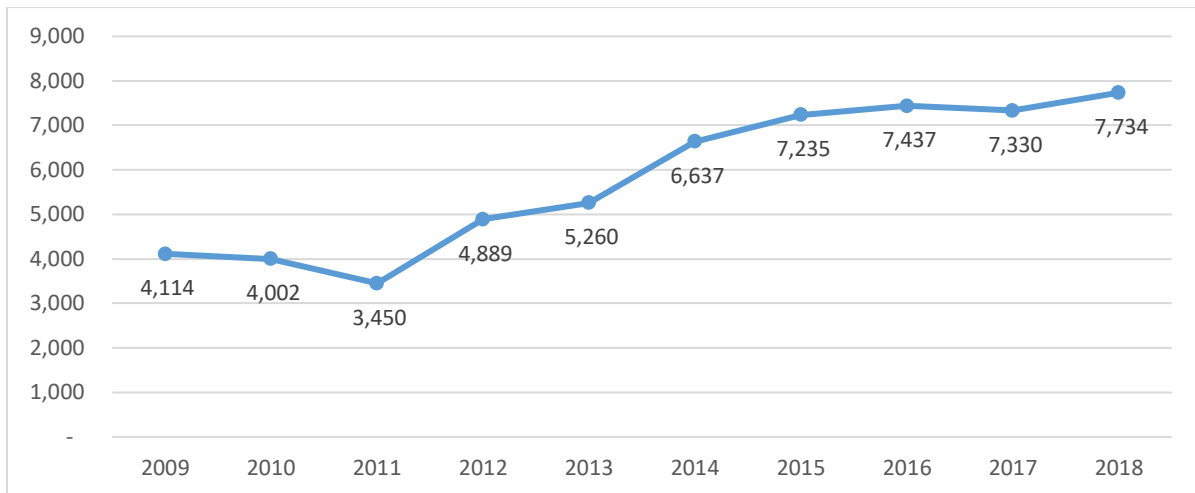


Chart 3.1.2.2 U.S. Direct Investment Position Abroad on a Historical-Cost Basis, USD millions, 2009-2018;
Source: Authors' calculation from U.S. Bureau of Economic Analysis

As for FDI flows, Chart 3.1.2.2 shows that US FDI stock has been steadily increasing during the last 10 years reaching a level of 7.734 billion USD in 2018. As Chart 3.1.2.3 below presents the increase of the US foreign direct investment stock is primarily driven by the rise of stock in the EU member states - Romania, Bulgaria, Slovenia and Croatia. US FDI stock in Romania has reached record 4.019 billion USD in 2018. In Bulgaria, the US direct investment position in Bulgaria was 928 million USD in 2018 with an increase of 9.43% from 2017. US FDI stock in Slovenia has remained the same at 369 million USD in 2018 compared to 2017, while in Croatia there was a small fall in the US direct investment stock of 6.03% compared to 2017 from 199 to 187 million USD.

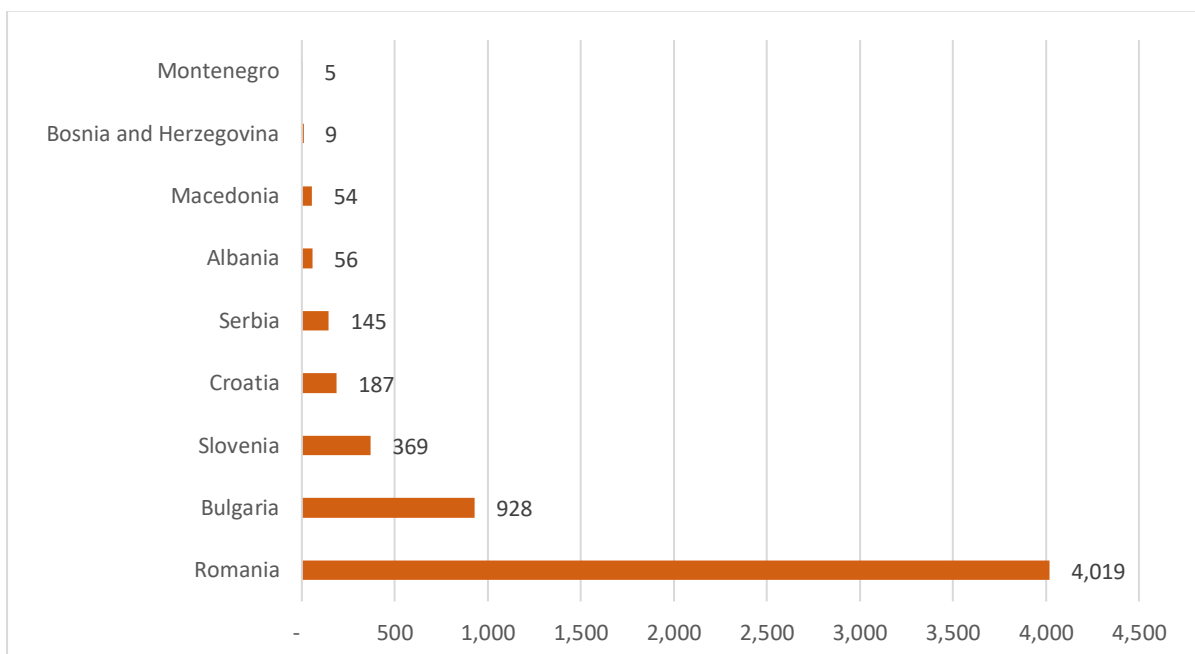


Chart 3.1.2.3 U.S. Direct Investment Position Abroad on a Historical-Cost Basis, USD millions, 2018, disaggregation by country;
Source: Authors' calculation from U.S. Bureau of Economic Analysis

3.2. POLITICAL, CULTURAL AND RELIGIOUS MEANS OF INFLUENCE

3.2.1. Turkey

Turkey is a traditional external player in Southeast Europe, and over the last 20 years its foreign policy has rediscovered the Western Balkans. Until the Balkan Wars of 1912/1913, the “Sublime Porte” ruled the region for centuries. When the Justice and Development Party (AKP) took power, Ankara’s focus shifted towards its Western neighbors and Rumelia again - the region which was an integral part of the Ottoman Empire. This was in line with the “*zero problems with the neighbours*” policy proclaimed by AKP’s former foreign policy mastermind Ahmet Davutoglu – an approach dubbed by observers as 'New Ottomanism'.

While Turkey does not have tangible leverage on the external (Western) orientations of the Balkan countries and is an EU candidate country itself, it has a certain clout especially in countries with a significant Muslim population (Korneti 2018). In the Western Balkans, Ankara have utilized political, cultural and economic instruments to exert influence and increase its foothold. With a primary focus on soft power, Ankara has further systematically invested in the rekindling and the expansion of cultural and religious ties. Turkey and its business leaders influence the region through the building and management of various schools and universities (the Gülen Movement) and aid projects funded through the Turkish Cooperation and Coordination Agency (TIKA) and the Presidency for Turks Abroad and Related Communities (YTATB), as well as ‘*the “soft power” of various television soap operas that have gained huge popularity and influence societies’ views and opinions about Turkish lifestyle and society*’. (Mitrović, 2014:58).

Ankara’s has been also blamed to use darker instruments of influence by applying severe political pressure on Western Balkans especially after the unsuccessful 2016 coup d’état in Turkey. Until the coup, the overall influence of Ankara in Western Balkan capital’s politics has been largely politically neutral and has not sought to undermine their EU prospects. However, in recent years, the Erdogan government has insisted that all institutions affiliated with the Fethullah Gülen movement present in the Western Balkans are closed. This resulted with closure or sending to Turkey of individuals suspected to be part of the movement convicted of terrorism in Turkey. In March 2019, under shadowy circumstances and allegedly without Kosovo’s Prime Minister’s knowledge, the Turkish intelligence agency has brought 6 Gülen’s supporters to Turkey from Kosovo, which was deemed illegal by many Western media and governments. The Balkan governments remain torn between the need to maintain good ties with Ankara and the expectations of the EU that they uphold the human rights of those who have lived and worked in their countries, operated schools and newspapers or fled Erdogan’s rule. In some countries such as Albania this is assessed as “*the Sultan asks of us things we cannot deliver*” (a quote from Ditmir Bushati, Minister of Foreign Affairs of Albania telling Edi Rama, the Prime Minister, the Turkish request to hand in ‘terrorists’, members of the Fethullah Gülen movement). However, Turkish officials have continued to put pressure on states in the Balkans to close Gülen-linked non-governmental organizations and colleges and

hand over alleged Gülen movement members. Recently in Macedonia, Turkey was reportedly and openly threatening to delay the ratification of the country's NATO accession protocol if it does not extradite 15 Turkish nationals that Ankara accuses of taking part in the failed coup in 2016 (Ekathimerini, 2019).

Turkey's president Recep Tayyip Erdogan also staged showpiece election rally in the Bosnian capital - Sarajevo to mass his European diaspora supporters, after such rallies were banned by many EU states. These are signs that Turkey's influence in the Western Balkans in the future might be growing, as the EU accession is a moving goal. For the Christian population of the Western Balkans, the strong Turkish Islamic influence is a concern as besides restoration of the Ottoman Islamic heritage, Turkey has invested in building new mosques in the region.

3.2.2 Russia

Russia similarly to Turkey has a strong cultural and historical affinity with the Western Balkan countries and therefore, it also has a way to apply soft power in the region (Bechev, 2015). In terms of politics, Russia is increasingly playing a political role for the region. In 2014, it abstained on the vote at the UN to extend EUFOR Althea, an EU-led peacekeeping mission because it referred to the prospect of Bosnia and Herzegovina joining the EU (Dempsey, 2014). During the name change negotiations between Macedonia and Greece, Kremlin stated that *“as a permanent member of the UN Security Council, Russia is closely monitoring the development and according to paragraph 3 of UN Security Council Resolution 845, the results of the talks between Skopje and Athens will be considered at the UN Security Council”*, creating pressure that the name deal will be decided only if Russia has a say.

A strong and enlarged EU that speaks in one voice and has increased leverage over Russia, for example, in situations like deciding upon sanctions as it was the case when Russia annexed Crimea, is not in Russia's interest. Even more importantly, NATO's enlargement in the Balkans has certainly not been a favorable development for the country which is NATO's traditional nemesis. However, while Russia enjoys broader public support in Serbia and Republika Srpska, in some of the other countries, like Macedonia and Montenegro, its presence and influence is often overstated and used as a *“scaremonger”* against the West in order to encourage the EU to speed up the region's integration prospects.

3.2.3 The Gulf states

The Gulf States – primarily Saudi Arabia, the United Arab Emirates, Qatar and Kuwait – represent relatively new players in the Western Balkans. Their involvement can be traced back to their support for the Muslim communities (Bosniaks, Albanians) during the Yugoslav wars of the 1990s, leaving behind a legacy for constructing mosques, schools and spreading a Wahabi interpretation of Islam that was not part of the Balkan tradition.

3.2.4 China

In line with its foreign policy which is based on the principle that there are no big and small states, China tries to establish partnership and cooperation with all the Balkan countries. The Balkan region is quite important for the Chinese global strategy because of its geographic location – in the heart of the Belt and Road Initiative (BRI). This initiative, launched in 2013 aims to enhance the cooperation between China and 65 countries in Asia and Europe, mainly by improving the infrastructure connectivity and economic relations.

Given the big number and small size of CEE countries, since 2012 it has been convenient for China to approach the CEE countries as a region in the framework of the 16+1 cooperation, which became 17+1 when Greece joined in 2019. Lacking both pre-defined national priorities and regional strategy to cooperate with China, CEE countries are left to compete among themselves for Chinese investments and other types of privilege from China. This oftentimes leads to them offering dumping-like conditions to investors in terms of subsidies, tax exemptions etc., accepting funds and taking up loans for projects which present shortcomings in the design and implementation (such as the highways in Montenegro and Macedonia), or are not in line with their EU aspirations (such as the thermo-power plants in Bosnia and Herzegovina for their negative environmental impact). These aspects are closely observed and assessed in the EU accession framework and often criticized by the European Commission. In addition, the overall 17+1 framework is sometimes labeled as a Chinese Trojan horse aiming to sow discord between the so-called Western and Eastern EU members and to divert the non-EU countries from their EU accession process by “debt entrapment”, fostering non-democratic practices and encouraging corruptive behavior.

However, what those discussions often overlook is the fact that neither CEE countries more generally nor specifically the Western Balkans see the cooperation with China as an alternative to EU membership. Furthermore, China does not seek integration with these countries, but rather business opportunities and types of cooperation that will further promote its domestic objectives and interests. In addition, the projects implemented with Chinese funds in the Western Balkans fall within areas and types of projects that the EU could not support because of their size or non-alignment with the EU’s priorities for the region. For example, Montenegro and North Macedonia had spent a decade seeking for funding for the highways, to no avail; Serbia had to nationalize Smederevo steel mill after the American investor withdraw because no other investor was interested, until the Chinese came. Thus, there is no overlap or competition with the EU’s action in the Western Balkans.

In addition, the amount of debt that the Balkan countries have taken up, as can be seen from the country analysis from Part 2, is not due predominantly to the Chinese loans, but inherited from the 1990’s or because of the measures undertaken to mitigate the consequences of the European financial and sovereign debt crisis. Moreover, corruption and state capture are widespread in the Western Balkans, but also exist in the other Balkan countries and cannot be specifically related to Chinese investments and projects. There have been even cases of abuse related to the implementation of EU funds (i.e. the case of the Greek company Aktor in North Macedonia). To the contrary, Chinese companies and authorities are aware that corruption

scandals such as the one involving the state owned company Sinohydro do more harm than good to the overall Chinese image and business deals in the Balkans and beyond.

While China has always sought and managed to find good will among certain EU member states to protect its image and interests, especially in the EU's Council of Ministers (i.e. France and Germany to support a no-motion action in the UN after the Tiananmen incident in the 1990s, more recently Hungary and Greece etc.), it has strived to maintain a relationship of strategic partnership with the EU. Subsequently, in its dealings with the Balkan countries, it has never sought to undermine their EU accession which is in Chinese interest as well, since it ensures stable and prosperous markets and increased consumption of Chinese exports, as well as more business opportunities for Chinese investors.

3.2.5. United States of America

USA's political presence in the Balkans has been intermittent – more intensive during periods of crisis and more reduced when there is no major turbulence. This is largely in line with its prime goal – to maintain stability in the region as integral part of Europe which should be “*whole, free and at peace*” (Woehrel, 2009:1). Thus, the USA was very active in the 1990s, during the post-Yugoslav and Kosovo wars, especially through NATO but also on bilateral basis. Its presence has been less visible in the years that followed when the USA, after the 9/11 terrorist attacks shifted their priority to the fight against terrorism and to other geographic locations, providing more space for the EU to pursue its normative role in the context of enlargement policy.

However, the USA continues to have vital interests in the region, which was visible through their engagement in the conclusion of the Prespa Agreement which enabled North Macedonia's accession to NATO. Its presence and influence in the region have never completely faded out and continues to be the most important foreign presence for some countries and communities (i.e. Bosniaks, Albanians, both in Albania and Macedonia) if judged by the degree of trust that their authorities and citizens bestow in “Uncle Sam”. In addition, from a strategic point of view, its military bases in Romania and Bulgaria are crucial assets for any activities that the USA may envisage in Asia. The integration of the Balkan countries in NATO, no matter how symbolic may be in terms of financial contribution to the organization and capabilities, implies widening and strengthening of the US-led alliance, to the detriment of Russian ambitions to exercise more influence in the region.

Moreover, funding from various organizations affiliated with the American government and political parties (USAID, National Endowment for Democracy, National Democratic Institute, International Republican Institute, East-West Management Institute etc.) has provided an important boost to the process of transition of the Balkan societies and their shift towards liberal democracy. Although not as sizeable as the EU funds, it has been almost entirely targeted to support “soft” measures, such as reforms related to the rule of law, elections, judiciary, inter-ethnic relations, education, health, free market economy etc., which largely corresponds with the countries' EU accession agenda.

Given that the EU has failed in the past few years to provide quick and certain integration perspective to the Western Balkans, the USA is being increasingly called upon to protect the countries against possible “backsliding” in the democratic institutions due to possible Russian, external negative influence. USA’s Vice President Mike Pence, during his visit to Montenegro in 2017 sent the message that “*the future of the Western Balkans is in the West*”, announcing that despite the numerous competing priorities in terms of foreign policy, the Trump administration will not “abandon” the Balkans. The Atlantic Council in its new strategy for the Balkans published in November 2017 also confirms the need for renewed US engagement in the region, particularly around 3 pillars: establishment of permanent US military presence in South-East Europe, advocating for “*historic reconciliation*” with Serbia and restoring the reputation of the US as a true mediator.

PART 4: CONCLUSIONS

Having analysed the state of play in each of the countries subject of the analysis, this part examines the positioning of the Balkan countries, including the Western Balkans, or the periphery, in comparison with the so-called “Old” and “New” EU member states, or the center, core countries and the semiperiphery. The objective is to better understand the center-periphery continuum and the approximate place that these countries occupy with regard to a set of selected indicators which depict the economic prospects, social welfare and political situation. Several measuring milestones were considered, teamed with the values from some of the years in between whenever relevant:

- the baseline year in all cases is the year when data for all the countries was available; if such data was not available in the 1990s, two years were considered instead, one in the 1990s one in the 2000s³⁴;
- 2008, the year when the European financial and sovereign debt crisis started, since the country analysis showed that it was in many respects the best economic year and that the crisis had an impact on all the countries; thus, the authors believed that it is important to consider its influence on countries at different stages of the EU integration;
- the last year when data for all countries was available, 2017 or 2018.

As measured by different methodologies in the context of the World-system theory and assumed by the research hypothesis in Part 1, the 15 EU member states that acceded prior to 2000s, more specifically with the last wave in 1995, belong to the center. They are much more prosperous compared to both the New countries, including the CEE countries, Cyprus and Malta, that joined the EU in 2004, 2007 and 2013, and the Western Balkan countries. While the division, as previously explained, is rather blurred, according to the hypothesis, the newly acceded countries belong to the semi-periphery, while the Western Balkan countries to the periphery.

In 1995, the average GDP per capita for the countries from the center was 5.6 times higher than the average of the semi-periphery. It was 16.3 times higher than that of Bulgaria and Romania, but only 2.5 times higher than the Slovenian GDP per capita. Compared to the other Balkan countries, it was 54 times higher than the GDP per capita of war-torn Bosnia and Herzegovina, 35 times higher than the second poorest of them at the time, Albania and 5.5 times higher than Croatia.

By 2008 the core countries had nearly doubled their GDP per capita, while the semiperiphery more than tripled it. The growth was even more emphasised in the case of the Balkan countries, although the numerical data may be partially skewed because of the hyperinflation of some of their national currencies. After the crisis, in 10 years time the recovery in the center has been more sluggish compared to the semiperiphery and the periphery, with all the Balkan countries, except for Slovenia and Serbia getting back to their pre-crisis levels. While this can be explained with generally higher growth rate potential in developing

³⁴ Data for Montenegro for some indicators was not available until its independence from Serbia in 2006.

countries, belonging to the same economic space and sharing the same currency arguably made the EU member states more interdependent and more susceptible to shocks occurring inside the Union.

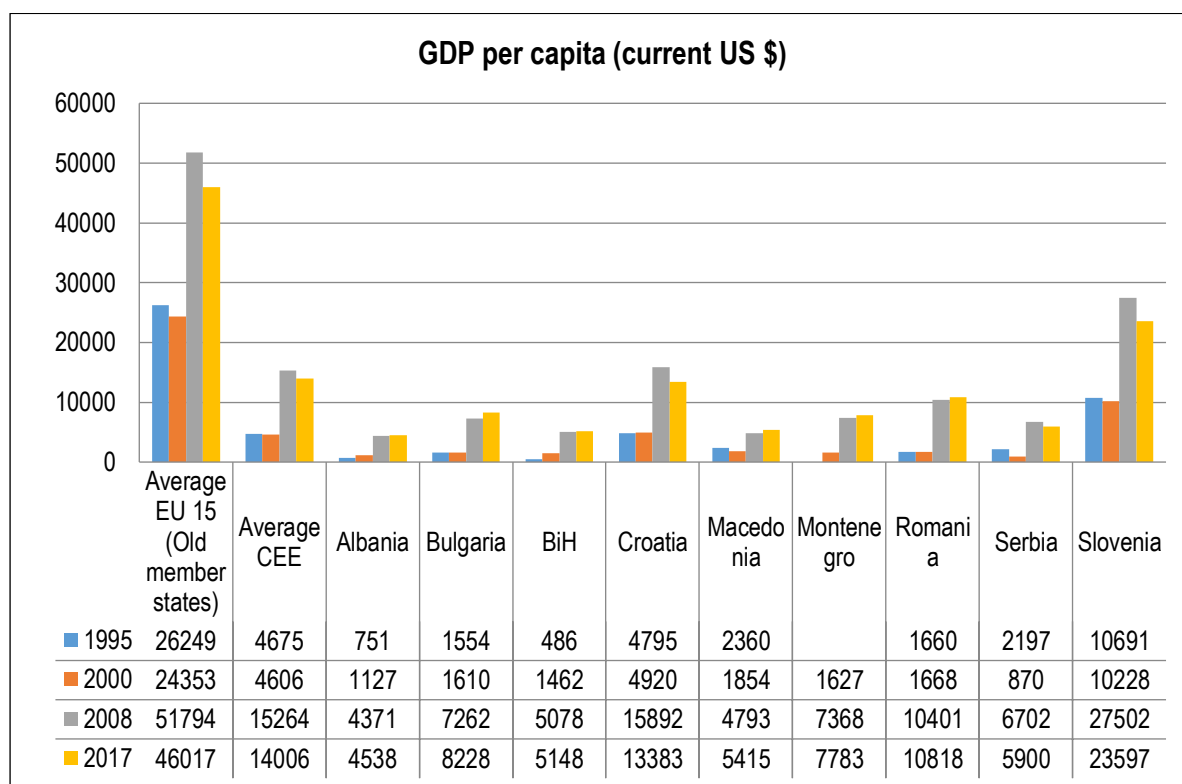


Chart 2.11.1. Comparison of GDP per capita

The degree of industrial development is one of the most important indicators in Wallerstein’s theory. Thus, when observing the CIP index, the difference between the core and the periphery is salient. In 1991, the core was 6.7 times more industrialized than the periphery and in 2018 5.4 times, showcasing that despite the wars, economic transition and political turmoil, the Western Balkans have been making progress. At the same measuring points in time, the semiperiphery was 1.9 times more industrialized than the periphery, which indicates similar advancement. However, when considering the tendency in each group of countries in the past three decades, the CIP index of the core countries, just like that of Croatia and Montenegro has been declining. This is arguably in part related to the structural changes in the economic activity that have taken place over the years, with these countries shifting away from manufacturing and giving more prominence to services.

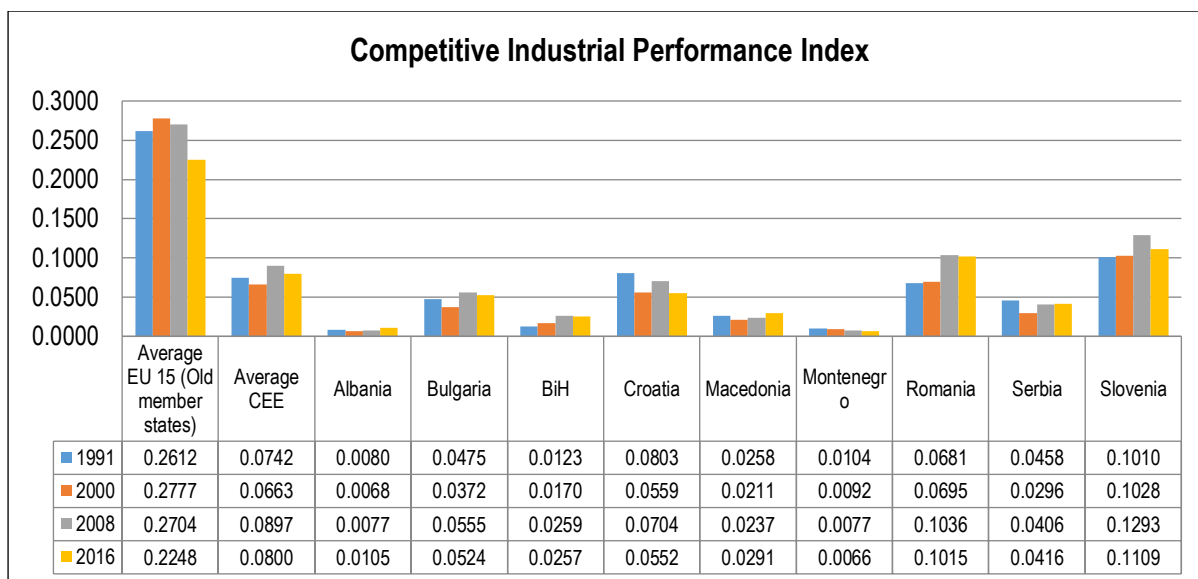


Chart 2.11.2. Comparison of the CIP index

In terms of unemployment, the average rate in the core countries has been relatively stable and below 10% throughout the last several decades, with the marked exception of the crisis which brought unemployment to unprecedented 11.2% at the end of the crisis 2013. The situation has been similar in the semiperiphery countries with slightly higher values in the 1990s and slightly lower since 2008 onwards, indicating an improvement in line with their progress in the EU integration process and the overall improvement of their economic outlook. In Croatia, Bulgaria and Romania unemployment has been steadily decreasing after they joined the EU, partly due to an improvement of their economic performance within the country, but partly arguably to the freedom of movement of workers within the EU which enabled unemployed nationals of these countries to seek job opportunities in the more developed EU member states. On the other hand, in the Western Balkans, unemployment remains a pressing issue, especially youth unemployment which in some countries in the past few years has reached 50% (North Macedonia, Bosnia and Herzegovina).

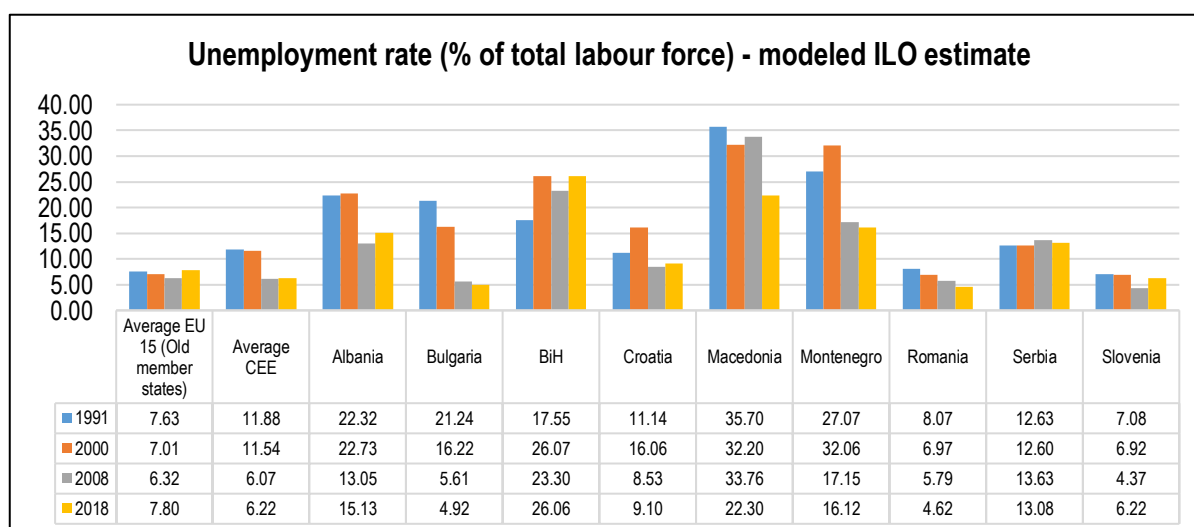


Chart 2.11.3. Comparison of the unemployment rate

In terms of attracting FDI, in 1995, the core countries had twice as much FDI inflows compared to the semiperiphery, but by the 2000s, the semiperiphery, with its accelerated FDI growth, caught up and even surpassed the core. The periphery countries had relatively low FDI levels throughout the 1990s, but managed to increase them multiple times in the 2000s, peaking in 2008. It is worth singling out the remarkable FDI inflows in Bulgaria and Montenegro at 18.92% and 21.45% of GDP respectively. After 2008, all the countries, core, semiperiphery and periphery, with the exception of Slovenia saw their FDI inflows halved and have been struggling to reach the pre-crisis level ever since.

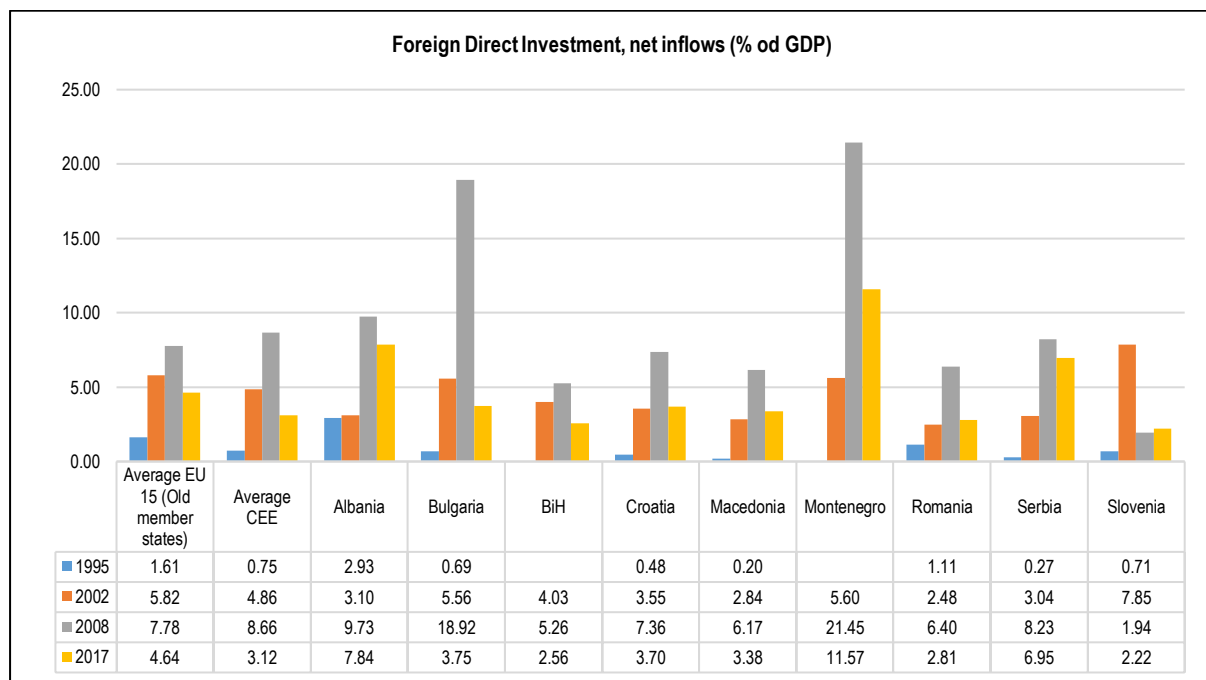


Chart 2.11.4. Comparison of FDI inflows

When it comes to the social parameters, the HDI, as a composite index which measures several aspects of a country's welfare and human capital such as life expectancy, health, education etc. has been constantly improving throughout the analyzed period in all the observed countries. At present, the core countries have the highest average of 0.908, which marks an increase of 0.120 compared to 1991. The improvement in the semiperiphery has been slightly more pronounced and stands at 0.136. While Slovenia's HDI has continuously been closer to the average of the core countries, Bulgaria's and Romania's have been lagging behind even the CEE countries. In regard to the Western Balkans, Montenegro at present scores best at 0.814, while North Macedonia scores worst at only 0.757. The country with the biggest improvement of 0.166 between 1991 and 2017 is Croatia, while Serbia has had the worst performance going from 0.715 only to 0.787, improving by only 0.072.

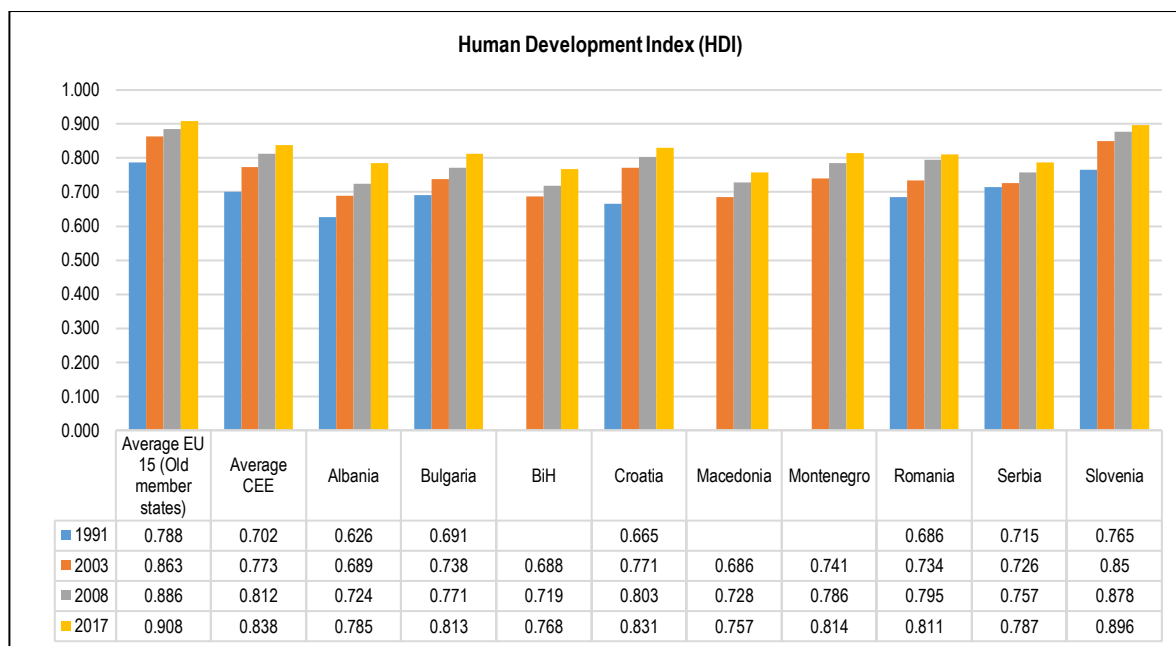


Chart 2.11.5. Comparison of the HDI

Regarding the political criteria, the trends have been much more nuanced and difficult to follow. The average government effectiveness of core and semiperiphery countries since 1996 onwards has been constantly positive, with core countries displaying continuous decline since 2002 onwards when their government effectiveness reached 1.713 and semiperiphery countries showcasing almost constant improvement. However, the average value of the core countries has been markedly higher than both the semiperiphery and the periphery. Bulgaria and Romania have been exceptions in displaying low values even after their EU accession, with Romania maintaining a negative score until present. On the other hand, Croatia and Slovenia have a tendency of constant improvement with Slovenia approaching the core's average and Croatia scoring better than the semiperiphery. With regard to the Western Balkan countries, with the exception of Bosnia and Herzegovina, the rest have entered the positive area after 2010

The situation is rather similar in terms of rule of law. The core countries have significantly better results than the semiperiphery and periphery, with average three-fold and five-fold higher scores respectively. Both core and semiperiphery countries have continuously marked positive parameters, with the former facing a slight decline and the latter a more significant improvement in the past few years. Bulgaria in continuity has a negative score, while Romania has improved and since 2009 entered the positive zone. Croatia has been constantly improving since 2004, while Slovenia's score has been fluctuating around 1 ever since 1996. The Western Balkan countries have permanently negative scores, with the exception of Montenegro which indicator has been oscillating up and down around 0.

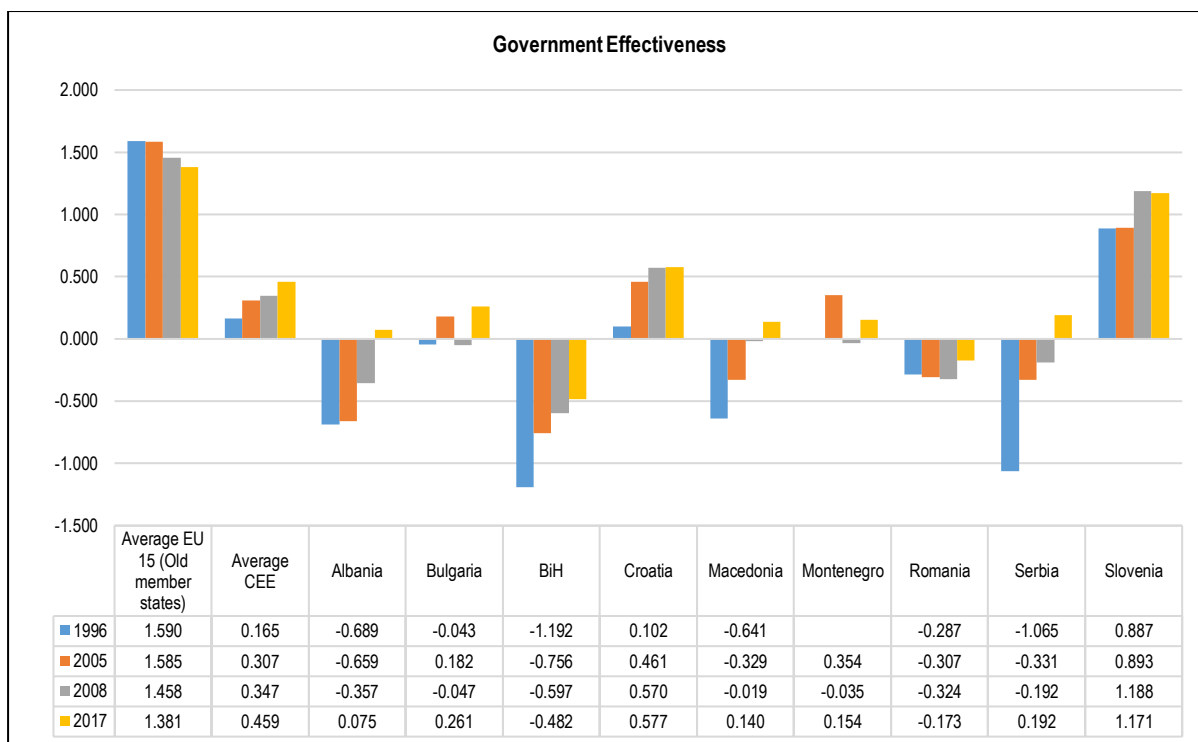


Chart 2.11.6. Comparison of the government effectiveness index



Chart 2.11.7. Comparison of the Rule of Law index

In recent years, corruption has been denounced as one of the most serious issues in recently acceded and especially aspiring countries for EU membership. Although the data

available (2012-2018) does not allow tracing any significant trends, it is important to notice the profound gap between the core and the periphery, with the latter being nearly twice more corrupt than the former, while at the same time the semiperiphery displays small progress.

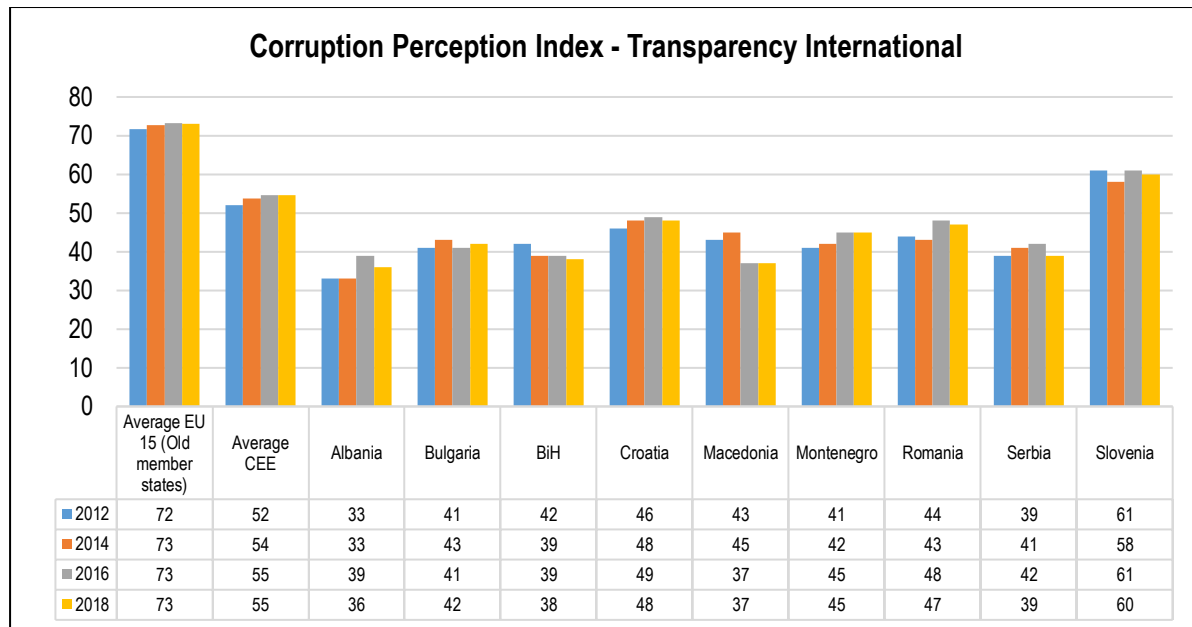


Chart 2.11.8. Comparison of the Corruption Perception Index

The analysis draws from the World-system Theory and the processes of EU integration and Europeanization to assess the shift of the Balkan countries from the “underdeveloped periphery” to the “developing semiperiphery” and “developed center”.

The research at hand combines the World-system theory with the process of EU integration and Europeanization in order to examine whether the EU integration process positively contributes to the shift of the acceding countries from the periphery to the semiperiphery and core. To this end, it examines the values of 25 indicators related to economic development, social welfare and political stability, for 9 Balkan countries over the period 1990-2018. By crossing the progress that the countries have achieved in terms of these criteria with specific milestones in their EU integration process (concluding Association Agreements, obtaining candidate status, opening/closing of accession negotiations, joining the EU, etc.) it seeks to verify the existence of a tangible correlation between the progress of the two processes. It also aims to identify the main factors, both internal – domestic and EU-wise and external, alongside their impact on the countries progress towards overall prosperity and full EU integration.

All the countries subject of this analysis are in the course of or finalized their EU integration and have experienced the process of Europeanization of their policies, economies, political systems, societies, institutions and more generally – citizen mindsets, leading them in the direction of democracy, market economy and liberal values. The conditionality imposed by

the EU institutions, together with their internal drive to implement reforms that would benefit their citizens have helped them to achieve different results, with some countries already fully-fledged EU members and others still in the “waiting room” to join the EU, the Eurozone and/or the Schengen area.

The European “core” is a politically, socially and fiscally attractive position for the prospective EU members. Since the subject of interest in this analysis is the Balkan countries, the transition from the periphery to the semiperiphery and the center signals the abandoning of the socialist and communist legacies. Evaluating the accession process is imperative from a theoretical standpoint in order to see if the Europeanization of these countries does in fact bring the prosperity and stability attributed to the “core” and those in proximity. Conditionality in the EU incentivizes the prospective members to evolve their political, economic and legal standards in virtually all fields. The EU approach to Eastern Europe has been to actively mediate and assist in conflict needs as well as to provide a guide on the external transfer of EU rules so that countries adapt on a domestic level to the desired standards.

According to the findings, the EU integration and Europeanization have a positive impact on the development of the Balkan countries and represent a necessary, but not sufficient factor for their shift from the periphery towards the semiperiphery and core.

In that context, the research hypothesis can only partially be validated. According to the findings, the EU integration, not only before officially joining the EU, but also afterwards, with the process of deepening the level of integration (for example joining the Eurozone, Schengen etc.), countries enhance their economic convergence with the EU and incrementally move towards the semiperiphery and the core. For instance, Bulgaria’s and Romania’s economic performance in terms of GDP per capita in 1995 and 2000 are similar or lower to that of Macedonia in the same period. In the subsequent years, especially after they have joined the EU, their economic performance has substantially increased, outrunning countries such as Macedonia and Serbia. Thus, the countries unequivocally have shifted from the periphery towards semi-periphery in terms of economic performance. However, the leap towards the European core is by far more onerous. The debate inside the European Union about the future of the integration has revived the concept of “multi-speed” Europe which basically means that process of integration will affect different parts of the Union with different pace and different level of integration. This could well deepen even further the gap between the old (core) and the new member states (periphery or semi-periphery), as the “integration a la carte” could allow the old and more developed countries to pursue their own agenda, often at the expense of the integration process in general and the interest of the new member states.

The results in terms of the social and political criteria are more questionable. The relationship between the EU integration and the shift in the center-periphery continuum is not directly observable and the progress does not always match the accession milestones. There are multiple examples of milestones which are not followed by progress, but by backsliding, especially after the opening of accession talks and the actual membership year. The case of Romania, and partially Bulgaria clearly demonstrates the latter. Taking the “government effectiveness” as a parameter it is clear that the in period after the accession the effectiveness of the government (0.324 in 2008 and 0.173 in 2017) has not even come closer to the average

of the old member states (1.458 in 2008 and 1.381 in 2017). The Rule of Law is yet another example of the political parameters that demonstrate that joining the EU is not a guarantee that the process of “Europeanization” in terms of adopting European norms and values has transformed the political environment of the country. Again, analyzing the cases of Bulgaria and Romania, it is clear that the score in this area has not dramatically improved to even get closer to the average of the 15 old member states.

Moreover, despite the process of gradual catching-up, there is still a huge gap in the values for almost all the criteria and the periphery scores significantly lower than the semiperiphery and the core.

The process of EU integration contributes to improvement of the economic criteria, whereas the progress in the social and political criteria is more nuanced.

The gradual economic convergence process is mainly driven by the Stabilization and Association Agreements (or Europe Agreements) which provide for more economic stability, acceptance of EU’s rules and standards and free trade, all of which creates an incentive for more investments. As a result, the countries become more prosperous, with GDP, exports and average salaries showing an upward increase and unemployment generally decreasing. Furthermore, the acceptance of EU norms and rules largely improves the fiscal discipline in the Balkans, which can be observed in the stabilized inflation rates and government debt. While sizeable infrastructure projects in some countries, like Montenegro, Albania and North Macedonia, or the consequences of the European economic and financial crisis in Slovenia, imposed a large burden on the national budgets, the projections for all the countries signal a reduction of the debt below the EU’s established threshold of 60% in the next few years. In addition, the industrial development indicator showcases that despite the wars, economic transition and political turmoil, the Balkans have been making progress in terms of industrialization, except for Croatia and Montenegro which, similarly to the situation in the core, have chosen an economic model which puts emphasis on services rather than manufacture.

In respect to social parameters, progress has been much more nuanced. While the Human Development Index in all the countries has been increasing at different pace, implying that the quality of life is improving, poverty headcount does not necessarily decrease with the accession, as can be observed in the examples of Slovenia and Bulgaria. In addition, as positive as the overall impact of the Europeanization is, it does not prevent human capital flight to the wealthier Western European states. To the contrary, EU’s core principle – the freedom of movement – enables workers to find better job opportunities and leave their countries of origin, leading to accelerated emigration and brain drain, as is the case in Romania and Croatia.

Political criteria show the largest degree of disparity among the analyzed countries, with important differences between countries within the same category. For example, although Slovenia, Bulgaria, Romania and Croatia are all semiperipheral and EU member states, while Slovenia and Croatia have predominantly positive political performance since their accession and currently approach the better ranking “new” member states and even the core countries, Bulgaria and Romania have predominantly negative performance, resembling the periphery countries of the Western Balkans.

From the above, it is clear that the transformative power of the EU is more visible in the economic parameters of the analyzed countries, thus, accounting for the economic progress and the overall quality of life. As the findings show, the more the country has undergone the process of integration, the better results in the economy has shown. However, the latter cannot be concluded if one analyzes the political and economic parameters this research has set out.

The reasons for the disparity in the economic and the political performances of the individual countries during and after the period of joining the EU can be traced back to the so called “transition” period when these countries underwent a transformation from socialist to post-socialist countries seeking to establish democratic institutions and market-oriented economy. Thus, to large extent, the public policies, undertaken in these counties in this period, has set the political and economic surrounding that affects the EU integration process of the countries. Namely, as Ahrens and Meurers argue (2000), the post-socialist countries have been urged by the international organization, such as IMF, EBRD and the EEC (EU) to follow a set of policies known as Washington Consensus, which stipulate prudent macroeconomic policies, trade and financial liberalization, privatization, and deregulation. In other words, these policy prescriptions favored a system of low-state interference in the market, giving priority to transformation of the capital from state-owned to private with an objective of rapidly establishing marked-oriented economies. However, during the process of hasty implementation of these policies what to large extent, wittingly or unwittingly, was overlooked was the establishing of the adequate institutional infrastructure providing market-preserving and market-enhancing incentives to both the policy makers and the private businesses. The institutional reform, in fact, was considered a secondary issue on the agenda, which will ultimately be resolved once the macroeconomic stability is achieved.

The non-intervention strategy of the state in the market, accompanied with underdeveloped institutional framework has resulted in most of the states with a rise of the poverty rates, unemployment, growing social and economic inequality etc. This has created unique political culture in each of the countries which is a key factor to understand the different results they achieved during the EU integration process, regarding the political and economic parameters. Some of the main problems that hindered the reform process in these countries include:

- lack of capacity to implement the law or to enforce the law
- lack of political leadership and commitment to the reform process
- widespread corruption
- lack of transparency, accountability and participation in creating public policy
- weak civil society, unable to call for and hold account public officials

The consolidation of the institutions was in the focus of the so called Europe Agreements, which granted associate status of the countries included in the process, in economic and political terms. However, given that priority in the transition period was given on establishing market-oriented economy and not on state building endeavors has created disparity in the economic and political performance of the SEE countries, which was carried out through the EU integration process, even though efforts were made to address this issues.

However, given that fact that change in culture, in this case political culture, takes longer period of time than achieving economic results, it is apparent that improvement of the political parameters, that include government efficiency, perception of corruption and rule of law, will take more time than improvement of the economic parameters that this paper has accounted for.

The research confirms the assumed application of the World-system theory categories - center, semiperiphery and periphery - onto European countries, their main features, as well as the attribution of different countries into each category.

The World-systems theory applied to the context of the EU accession process shows the gradual process of a country developing into a more powerful, highly industrialized and technologically advanced state, with strong institutions and good infrastructure. The core, semiperiphery and periphery countries represent the “old” EU member states, the “new” member states and the states aspiring EU membership or the Western Balkans respectively. These distinctions are supported with the individual analyses for each of the 9 countries, as well as the comparative analysis of the different categories which confirm the marked differences in the indicators’ average values between the three categories. In line with the theory, bearing in mind that the measurements cover a period of nearly three decades and that apparently no country completely managed to “upgrade” its status during this time, the process of shifting from one category to another is arguably slow and demanding and the categories are relatively entrenched.

Moreover, the research confirmed another important tenant of the World-system theory – the existence of a semiperiphery which boundaries are fluid and hard to delineate. Namely, the 3 assumedly semiperipheral countries that were analysed – Slovenia, Bulgaria and Romania display a number of characteristics which, if observed separately, could be used to ascribe the countries to either the core (for example Slovenia’s high Human Development Index), or the periphery (Bulgaria’s rule of law or Romania’s government effectiveness).

Internal – domestic and EU-related processes and developments are arguably more important for accelerating the EU integration and contributing towards a shift than external factors.

The process of Europeanization and EU’s conditionality by itself alone are necessary but not sufficient factors driving towards improvement in the economic, social and political indicators. The research shows that the internal political situation may act as a serious driver or impediment to the overall reform process. The political crises in Bulgaria and Romania in the 1990s as well as in North Macedonia or Montenegro in recent years clearly confirm that. On the other hand, political stability and culture, especially regarding the capacity of political elites to reach consensus on key issues related to the EU integration are key to a country’s progress and fulfillment of the accession benchmarks, as can be observed in the examples of Croatia and Slovenia.

Bilateral disputes, between a member and an acceding state (like the disputes between Italy and Slovenia, Slovenia and Croatia, Greece and Macedonia etc.) as well as two aspiring parties (Serbia and Kosovo) have also the potential to hinder the accession process and block

a country from acceding or advancing in the process, which in turn may result in slowdown or backsliding in the domestic reform agenda. In addition, internal EU decision-making processes, especially the unanimity vote on enlargement issues in the Council teamed with EU's internal challenges in recent years or specific interests of individual member states, oftentimes lead to blockages or additional delays in the process.

The most notable factor that put an end to a solid economic decade for all the countries in the Balkans, as well as the EU, and profoundly influenced the economic outlook throughout the subsequent decade, was the European financial, economic and sovereign debt crisis which lasted from 2008 to 2013. The crisis not only plunged all the economic indicators and growth prospects, but also revealed deep disparities and disagreements within the EU on key issues. In turn, all the countries with close economic ties with the EU, like the Balkan region which has the EU and its member states as main trading partners and investors, were severely hit and spent several years recovering to the pre-crisis levels. While for the Western Balkan countries being outside the EU actually worked well and protected them to a certain extent from suffering even more long-term consequences, the EU countries even today have on average worse economic indicators compared to their situation prior to 2008 (i.e. GDP per capita, unemployment, FDI inflows, CIP etc.) and are still struggling to fully recover.

Finally, the somewhat hesitant EU enlargement process in the Balkans in recent years paved the way for external actors, such as Russia, Turkey, China, the Gulf States and the USA to become more active and seek to promote their own interests in the region. This is especially relevant for the Western Balkans which are still outside the “umbrella” of EU's foreign policy and also receive much less investments in comparison to the EU member states, both in terms of EU funding for projects and FDI. However, the influence of different players is not of the same nature. Russian actions usually seek to undermine so-called “Western” influence in a region where Russia has traditional presence and ties. Turkey's influence, on the other hand, while being politically neutral, is quite pronounced in the countries and regions with predominant Muslim population. This is also the case with the Gulf States which recently go beyond the traditional support to the Muslim communities in search of lucrative business deals. China does not seem to be creating any particular disruption to the region's EU integration process, but rather seeks to expand the network of potential allies in Europe, to identify new business opportunities and to promote itself into a soft power by promoting the achievements of its development model. The USA, EU's traditional ally and strategic partner, presents itself as another support pillar to the stability of the region through actions which largely coincide with the EU's reform agenda.

Nevertheless, while sometimes the influence of the external players may be disruptive to the EU accession process, it does not have the same power of attraction for the Balkan countries nor offers the same promise of economic and political integration as the EU. Therefore, all the Balkan countries for the time being have set their strategic priorities to remain on the path towards joining the EU and/or furthering their integration.

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Bilateral disputes, between a member and an acceding state (like the disputes between Italy and Slovenia, Slovenia and Croatia, Greece and Macedonia etc.) as well as two aspiring parties (Serbia and Kosovo) have also the potential to hinder the accession process and block a country from acceding or advancing in the process, which in turn may result in slowdown or backsliding in the domestic reform agenda. In addition, internal EU decision-making processes, especially the unanimity vote on enlargement issues in the Council teamed with EU’s internal challenges in recent years or specific interests of individual member states, oftentimes lead to blockages or additional delays in the process.

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has the EU and its member states as main trading partners and investors, were severely hit and spent several years recovering to the pre-crisis levels. While for the Western Balkan countries being outside the EU actually worked well and protected them to a certain extent from suffering even more long-term consequences, the EU countries even today have on average worse economic indicators compared to their situation prior to 2008 (i.e. GDP per capita, unemployment, FDI inflows, CIP etc.) and are still struggling to fully recover.

Finally, the somewhat hesitant EU enlargement process in the Balkans in recent years paved the way for external actors, such as Russia, Turkey, China, the Gulf States and the USA to become more active and seek to promote their own interests in the region. This is especially relevant for the Western Balkans which are still outside the “umbrella” of EU’s foreign policy and also receive much less investments in comparison to the EU member states, both in terms of EU funding for projects and FDI. However, the influence of different players is not of the same nature. Russian actions usually seek to undermine so-called “Western” influence in a region where Russia has traditional presence and ties. Turkey’s influence, on the other hand, while being politically neutral, is quite pronounced in the countries and regions with predominant Muslim population. This is also the case with the Gulf States which recently go beyond the traditional support to the Muslim communities in search of lucrative business deals. China does not seem to be creating any particular disruption to the region’s EU integration process, but rather seeks to expand the network of potential allies in Europe, to identify new business opportunities and to promote itself into a soft power by promoting the achievements of its development model. The USA, EU’s traditional ally and strategic partner, presents itself as another support pillar to the stability of the region through actions which largely coincide with the EU’s reform agenda.

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ANNEX: COUNTRY TABLES

Albania

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, current US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,009719542	4,58		617,2304077			322100000	455900000			30,36094666	179490	0,645
1991	0,008034842			336,5870056			73000000	281000000			7,603111267		0,626
1992	0,005492369		3,066661596	200,8522186			70000000	540500000		23,8	5,656683922		0,61
1993	0,005257706		4,893212318	367,2792358			111600000	601500000		30,2	13,67613792		0,613
1994	0,005111437		2,817722797	586,4163208			141300000	601000000		50,5	18,89658546		0,619
1995	0,005354043	5,01	2,925485849	750,6044312			204900000	679700000		69,1	21,27851295	500353	0,632
1996	0,005007233		2,815940619	1009,977295		27	243700000	922000000	-0,688587904	82,7	21,91635132		0,641
1997	0,003672818		2,103152752	717,3800659	72,2		90900000	570600000		60,8	21,41088104		0,641
1998	0,005677051		1,767895818	813,7893677	71,2		100670000	654210000	-0,631392419	72,3	22,35434532		0,652
1999	0,007442813		1,282641292	1033,242554	68,2		91700000	783100000		88	24,43650818		0,662
2000	0,006773493	6,53	4,108776093	1126,68335	63,8		95200000	921000000	-0,755117714	92,9	33,11736679	823668	0,669
2001	0,007479953	6,6	5,285432816	1281,65979	60,6		109500000	1151000000		103,3	39,71611023		0,676
2002	0,007309675	6,85	3,104827166	1425,124268	64,1	31,70000076	85180000	1237300000	-0,533348322	118	38,66069412		0,682
2003	0,008400987	7,37	3,172708273	1846,120117	60,2		100716315,5	1463316336	-0,538209379	152	41,44979095		0,689
2004	0,009156593	6,97	4,750174522	2373,581299	57,5		149032362,1	1837926826	-0,415867686	185,2	37,87381744		0,694
2005	0,00631723	6,96	3,259769201	2673,786621	58,2	30,60000038	194117835,6	2117458690	-0,659452379	200,2	37,47425079	965066	0,704
2006	0,006573641	7,14	3,654852152	2972,74292	56,7		223619399,4	2499761212	-0,523602188	222,6	39,40280151		0,711
2007	0,011522619	7,21	6,108980179	3595,038086	53,6		359838412	3419700000	-0,406624109	302,4	38,74129105		0,72
2008	0,007651748	7,22	9,727696419	4370,540039	55,1	30	546008052	4356845546	-0,356763661	408,6	35,77843857		0,724
2009	0,011543042	7,31	11,16018677	4114,134766	59,7		403218380,8	3793206087	-0,257898152	379,8	34,55787659		0,729
2010	0,011636978	7,35	9,1398983	4094,360107	57,7		739540422,2	3776713169	-0,282755494	334,7	30,30867767	1129071	0,741
2011	0,012304052	7,24	8,130461693	4437,177734	59,4		961838749,2	4457956871	-0,208206981	361,3	31,41353607		0,752
2012	0,011120902	7,2	7,45397234	4247,614258	62,1	29	1123710264	3983219313	-0,267799705	348,6	28,32854843		0,767
2013	0,010369283	7,27	9,817211151	4413,083008	70,4		1417814864	4029466792	-0,316919863	350,1	28,05252838		0,771
2014	0,008163803	7,48	8,690011024	4578,667969	72		1239541102	4169146704	-0,085557945	353,8	25,67467308		0,773
2015	0,009354948	7,53	8,68784523	3952,830811	73,7		854995387	3402083037	0,010404494	303,1	25,81901932	1137917	0,776
2016	0,010502385	7,54	8,786734581	4131,872559	73,2		789063816,3	3669789888	0,005321129	300,8	25,67719078		0,782
2017			7,839315414	4537,579102	71,8		900608221	4103110019	0,075342767		24,88772583	1148144	0,785

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Corruption Perception Index - Transparency International
1990								31500000	29100000			
1991								9200000	33400000	22,3239994		
1992	226,0054169							20300000	89100000	22,64699936		
1993	85,00475311							77600000	161900000	24,82600021		
1994	22,56505203							79100000	132500000	24,58300018		
1995	7,793218613							98800000	156500000	23,86100006		
1996	12,72547817		-0,333811402		-0,474401653		-0,6844818	129200000	189400000	23,39800072	-0,648297846	
1997	33,18027496							8480000	115212500	23,19499969		
1998	20,64285851		-0,54270643		-0,173049316		-0,924325168	36460000	129250000	23,03300095	-0,387372851	
1999	0,389437646							297800000	163100000	23,29000092		
2000	0,050018135		-0,53797853		-0,254359484		-1,008779526	459300000	429300000	22,72999954	-0,285138667	
2001	3,107588291							548700000	444100000	22,68000031		
2002	7,770525932		-0,294578075	25,39999962	-0,224693567		-0,762146771	582000000	590210000	21,48800087	-0,008150226	
2003	0,48400262		-0,308824211		-0,447581381		-0,723140359	746054345,4	802615530,4	20,15299988	0,070307702	
2004	2,280019283		-0,428377599		-0,165745333		-0,68777281	1100785352	1054819876	18,81800079	0,007237501	
2005	2,366581917		-0,507140517	18,5	-0,371873468		-0,736335754	1266654421	1382890404	17,46299934	0,003671779	
2006	2,370728254		-0,508332431		-0,101760454		-0,684768975	1645948961	1573356057	16,04000092	0,075889945	
2007	2,932682514	2,33	-0,203224033		0,060612418	0,087370001	-0,646295726	2104555789	1924437206	13,5	0,113008492	
2008	3,363137484		-0,030818928	12,39999962	0,147539735	0,154119998	-0,588694632	2735850301	2371724328	13,05000019	0,174939096	
2009	2,231396914		-0,045248605		0,238284081		-0,500429869	2655765243	2230584925	13,76000023	0,141477272	
2010	3,615384579	2,14	-0,191482902		0,229477361		-0,407375962	2585405550	2005179698	14,19999981	0,123821586	
2011	3,442836046		-0,282379419		0,23293598		-0,455371141	2811839068	2246733511	13,97999954	0,062333763	
2012	2,036422253	2,43	-0,143631592	14,30000019	0,199168846		-0,520316482	2433248737	1871308958	13,43999958	0,022064054	33
2013	1,925444007		0,091929786		0,209718719		-0,51801759	2282648008	1979848786	15,64000034	0,048892584	31
2014	1,613042355		0,485986233		0,221990347		-0,337862045	2491501225	2068121595	17,48999977	0,143760741	33
2015	1,910017014		0,34612906		0,186667815		-0,328226447	2247966164	1666349301	17,07999992	0,157129541	36
2016	1,275125265	1,98	0,344644666		0,189022064		-0,328859359	2650109892	1770520295	15,22000027	0,169939056	39
2017	1,993928075		0,39762491		0,223032042		-0,401694685	3240478493	2015206662	13,86699963	0,202265054	38

Bosnia and Herzegovina

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoF, current US\$)	Goods imports (BoF, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,012614											863399	
1991	0,012318												
1992	0,012193												
1993	0,012365												
1994	0,01269			318,02									
1995	0,013409			485,6173						19,98315	1374109		
1996	0,015391			736,9753				-1,19205		41,2139			
1997	0,016664			978,5167					229,2	42			
1998	0,018389		1,621116	1097,645	54,4		663834835,1	3779445240	-1,07531	258	38		
1999	0,017473		3,772744	1246,497	56		831757777,9	4128683221		274	28		
2000	0,016976		2,653033	1461,75	34,7		1129815179	3894169621	-0,8379	253,9	20,55128	1468799	0,672
2001	0,016135		2,061148	1524,412	35,2	30	1134207360	4091960798		273,6	19,07744		0,677
2002	0,016544		4,025868	1761,538	31,2		1109709445	4449368034	-0,96008	317,6	18,55987		0,683
2003	0,016415		4,561335	2214,732	27,6		1477486792	5636814047	-0,74519	413,8	18,84448		0,688
2004	0,018391		8,395432	2802,275	25,5	34	2086675261	6656351838	-0,6297	474,9	26,61838		0,694
2005	0,021196	6,18	5,558366	2967,834	25,5		2555319693	7454235179	-0,75551	506,8	27,20825	1490861	0,7
2006	0,023961	6,48	6,575891	3403,815	21,2		3381442075	7679400863	-0,61691	557,4	21,63594		0,706
2007	0,024946	6,61	11,67374	4180,914	18,7	33,1	2486359677	8454309287	-0,84438	667,1	25,78043		0,712
2008	0,025907	6,56	5,257502	5078,314	30,9		3134155039	10803203856	-0,59714	833	27,07356		0,719
2009	0,025655	6,56	0,786376	4701,334	35,1		2685925194	7984414678	-0,71544	854,6	19,78212		0,72
2010	0,02573	6,63	2,583955	4614,829	42,8		3392868173	8253151005	-0,74107	823,9	16,33543	1575669	0,713
2011	0,025842	6,7	2,529461	5054,325	43,1	33	4290191684	9858446208	-0,74325	903	18,74002		0,721
2012	0,024937	6,79	2,275384	4722,013	43,5		3983877454	9088623611	-0,45726	847,4	19,21775		0,739
2013	0,02507	6,61	1,723437	5042,582	44,6		4510889026	9337199376	-0,4347	876,6	18,16609		0,747
2014	0,02616	6,78	2,935964	5204,244	45		4643390179	9980538889	-0,45114	874,9	19,11526		0,754
2015	0,024983	6,63	2,363335	4584,243	45,5		4078385151	8154654299	-0,54521	730,9	18,65574	1611438	0,755
2016	0,02573	6,6	1,672006	4808,636	44,1		4354028951	8348659388	-0,39437	735,7	19,62492		0,766
2017			2,562925	5148,208	39,5		5410117313	9682064590	-0,4821	761,2	21,06835	1659852	0,768

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Corruption Perception Index - Transparency	Voice and Accountability
1990												
1991										17,55		
1992										18,489		
1993										20,351		
1994										24,197		
1995										26,423		
1996			-0,59202		-0,91077		-0,24169			26,075	-0,10383	
1997										26,178		
1998			-0,58412		-0,87435		-0,64247	460176439,9	269955405,4	26,345	-0,00821	
1999								463708147,9	284672524,3	26,991		
2000			-0,52644		-0,49915		-0,61216	449975002,1	263138693,2	26,074	-0,10834	
2001								496766969,1	269078830,1	26,424		
2002			-0,16252		-0,55643		-0,65965	524163356,3	305143906,3	27,72	-0,08704	
2003			-0,40471		-0,48173	0,01854	-0,62751	721003534,3	383618258,4	28,24	0,209611	
2004			0,016085		-0,20825	0,01611	-0,50217	863541425,4	432226981,9	29,519	0,168825	
2005			-0,5014		-0,57625	0,02696	-0,51849	988951036,7	435565190,7	30,07	0,213585	
2006	6,125566		-0,442		-0,46433	0,01969	-0,49605	1139737998	466721178,6	31,1	0,18726	
2007	1,500777	2,26	-0,63063	18,2	-0,27711	0,02522	-0,47045	1801229552	495300302,3	28,93	0,13101	
2008	7,427043		-0,54037		-0,15118	0,01842	-0,41151	2034123452	594952489,3	23,3	0,015152	
2009	-0,38146		-0,66662		-0,09139	0,02106	-0,35806	1744677274	640447788,9	24,03	0,003143	
2010	2,123491	2,22	-0,69373		-0,08803		-0,35086	1701574537	540907837,8	27,2	-0,08246	
2011	3,67125		-0,81979	17,9	-0,03355		-0,33268	1690511102	557218658	27,6	-0,15975	
2012	2,052675	2,86	-0,53815		-0,05136	0,26533	-0,20674	1582246384	513221820,7	28,05	-0,10033	42
2013	-0,09305		-0,40494		-0,06598	0,32132	-0,15157	1622578141	520789654,2	27,45	-0,11646	42
2014	-0,89719	2,55	-0,01918		-0,08987	0,25725	-0,18562	1663662771	525086556,6	27,52	-0,07098	39
2015	-1,02329		-0,40244	16,9	-0,19566	0,21862	-0,28136	1573556895	487781704,1	27,694	-0,0981	38
2016	-1,08913	2,61	-0,39784		-0,16665	0,21598	-0,21672	1677610757	499104091,5	25,06	-0,13219	39
2017	1,168813		-0,3821		-0,1498		-0,21128	1877632111	569500630,5	25,562	-0,20712	38

Bulgaria

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,051008895	4,17	0,019387273	2366,529785			6113000000	7427000000			25,58877754	617155	0,694
1991	0,047544352		0,510803223	1267,734375			3737000000	3769000000			22,59764099		0,691
1992	0,046033977		0,40094623	1211,980835		30,70000076	3956400000	4168700000			19,88894463		0,691
1993	0,046667999		0,369354308	1278,247192			3726500000	4611900000			15,28203392		0,69
1994	0,046934211		1,08688736	1148,494385			3935100000	3951900000			9,391172409		0,691
1995	0,044624868	4,82	0,692008555	1554,046875			5345000000	5224000000			15,69859505	653122	0,696
1996	0,045218134		1,078181863	1208,875122			4890200000	4702600000	-0,042584829		0,300250202		0,702
1997	0,039967785		4,508909225	1346,910522			3358500000	3059100000			8,868873596		0,704
1998	0,038151398		3,59597826	1809,683838	76,5		4193499000	3421373000	-0,201888442		18,22674751		0,709
1999	0,034794614		6,050768852	1648,104858	79,4		4006367182	5087383597			19,27882385		0,708
2000	0,037161771	5,55	7,61425209	1609,882446	73,9		4824629175	6000151670	0,002994847		19,19055557	690700	0,712
2001	0,039352313	6,11	5,775535107	1757,443726	67,6		5105025672	6693401942			21,48612976		0,722
2002	0,041137211	6,58	5,558088303	2076,830566	53,8		5352471319	7012584817	0,248750851		20,66484833		0,729
2003	0,046374362	6,81	9,992946625	2698,624268	45,8		7069157199	9657287789	0,114252992		22,24651909		0,738
2004	0,046429467	6,81	11,8366375	3363,799561	38,1		9921386893	13619145481	0,150523335		23,60418129		0,745
2005	0,048672869	6,95	13,82790375	3869,529541	28,7		11790949973	17204395498	0,181857437		27,93594933	909442	0,75
2006	0,050618008	7,08	23,07192421	4490,20166	22,8	35,70000076	15154046460	22129515500	-0,057375778		32,31358719		0,756
2007	0,054712533	7,1	31,24253273	5885,949219	17,6	36,09999847	19533494152	30040951021	-0,007542833		33,62851334		0,764
2008	0,055534631	7,17	18,92461586	7261,754395	14,7	33,59999847	22503649095	35108727415	-0,047309104	404,8	36,97377014		0,771
2009	0,053180709	7,29	7,510269642	6969,558594	14,6	33,79999924	16379999294	22153280167	0,166158289	429,5	28,5678463		0,774
2010	0,051065765	7,3	3,641371012	6843,26709	14,1	35,70000076	18741520000	23520630000	0,114835203	437,5	22,56761551	1127247	0,779
2011	0,054091715	7,37	3,663998842	7813,806641	14,4	34,29999924	26566780000	30293350000	0,110085554	496	21,47030067		0,782
2012	0,05408113	7,37	3,317272186	7378,024902	16,7	36	25263630000	30407630000	0,141888097	483,4	21,94199371		0,786
2013	0,053591585	7,33	3,580296755	7646,839844	17,2	36,59999847	28171460000	32069950000	0,157344475	526,2	21,05169296		0,792
2014	0,05424488	7,37	1,924859285	7864,760742	26,4	37,40000153	27891560000	31577860000	0,0787379	555,1	21,54376984		0,797
2015	0,050945427	7,4	5,19781208	6993,783691	25,6		24306020000	27206180000	0,208816484	500,2	21,18888855	1166722	0,807
2016	0,052364333	7,41	2,935334444	7469,455566	27,4		25553360000	26639460000	0,296718985	537,5	19,14405632		0,81

2017			3,74799633	8227,959961	23,9		30501100000	31359310000	0,261196882		20,08590508	1291630	0,813
year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of GDP)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Corruption Perception Index - Transparency International	
1990	23,79999924							837000000	600000000				
1991	338,4490967							399900000	485800000	21,24399948			
1992	91,29793549							1070300000	1165200000	21,48600006			
1993	72,87879181							1171300000	1229300000	21,38999939			
1994	96,0573349							1256900000	1246100000	20,17000008			
1995	62,05483246							1431400000	1277900000	15,90999985			
1996	121,6075439		-0,090678282		-0,184434712	0,508660018	-0,344958007	1366000000	1245900000	13,75	0,428986371		
1997	1058,373535					0,470479995		1460800000	1213500000	13,69999981			
1998	18,67220497		0,576661706		0,041243725	0,495400012	-0,212662473	1787809215	2567955639	12,19999981	0,437017411		
1999	2,57304287					0,542140007		1788407576	1474101520	14,10000038			
2000	10,31626225		0,379955381	14	0,196991518	0,498849988	-0,121004798	2175171700	1669638981	16,21999931	0,46049872		
2001	7,360939503			16		0,448610008		2142725252	1882276103	19,92000008			
2002	5,810143471		0,468395174	14	0,561708272	0,465939999	-0,033465389	2189892523	1739681325	18,11000061	0,528531313		
2003	2,348641634		0,174155131		0,648325264	0,47378999	-0,140373603	2955221161	2428695335	13,72999954	0,545892		
2004	6,147130966		0,003550667		0,662930489	0,472000003	-0,112541936	4019949221	3219136624	12,03999996	0,569690168		
2005	5,03883791		0,146509647	18,39999962	0,64379257	0,443399996	-0,095587134	4367284984	3403822881	10,07999992	0,59489274		
2006	7,261594772		0,395517141	22	0,596899331	0,443129987	-0,093535163	5236689664	4105572674	8,949999809	0,577117205		
2007	8,402534485	2,47	0,358280092	21,39999962	0,628700912	0,426829994	-0,045955181	6764550199	5202268997	6,880000114	0,690935373		
2008	12,3487196		0,370631129	21,79999924	0,697300017	0,447869986	-0,107263453	7942552536	5957716144	5,610000134	0,577976346		
2009	2,7532022		0,353603989	20,70000076	0,669466138	0,494700015	-0,038340408	6884922077	5034427678	6,820000172	0,560484111		
2010	2,438990593	2,3	0,36009106	22,20000076	0,649560809	0,563870013	-0,069240548	6562370000	3410420000	10,27999973	0,531485736		
2011	4,219903469		0,301750302	21,20000076	0,54383409	0,531910002	-0,111741245	7464330000	3567650000	11,26000023	0,450080156		
2012	2,954568386	3,2	0,379833996	21	0,563258588	0,604789972	-0,085204966	7400520000	4142760000	12,27000046	0,400915593	41	
2013	0,890093565		0,170710385	21,79999924	0,538901448	0,634909987	-0,102405354	7808700000	4295790000	12,93999958	0,337270766	41	
2014	-1,418183804	2,94	0,078540899	22	0,568319023	0,794920027	-0,046017233	9024080000	5625240000	11,42000008	0,366463035	43	
2015	-0,104633264		0,017322188	22,89999962	0,563768148	0,960189998	-0,097000144	7734430000	4391840000	9,140000343	0,432537317	41	
2016	-0,798749089	2,35	0,077333264	23,39999962	0,658517718	0,780059993	-0,061460335	8529690000	5122980000	7,570000172	0,401087999	41	
2017	2,064355135		0,373236239		0,625800014		-0,040886693	8908100000	5718060000	6,159999847	0,378737241	43	

Croatia

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net in flows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,08920493											426201	0,67
1991	0,080324001												0,665
1992	0,070851093												0,664
1993	0,067406812						3910314000	4619588794					0,666
1994	0,06863507						4402796000	5681287069		348,8			0,68
1995	0,062757353	5,08	0,482648104	4794,937012			4517259000	7744877261		531,7	16,83901787	705471	0,696
1996	0,060940267		2,080107689	5268,805664			4643474000	8147022179	0,102206022	596,8	20,10766602		0,709
1997	0,054696588		2,271571875	5210,430176			3981320000	9384498497		595,4	25,62996674		0,719
1998	0,057930005		3,699375629	5650,332031	21,9		4517196000	8625388894	0,074214436	649,2	21,60661316		0,731
1999	0,056491317		6,210243702	5135,473145	28,1		4341979785	7673903124		639,9	21,26234627		0,739
2000	0,055877336	6,28	4,853347778	4919,62793	33,2		3163324482	6632472195	0,332190484	588,4	20,15082932	874432	0,75
2001	0,056886428	6	4,225770473	5245,421387	34,6		3345959580	7771830981		605,8	22,11252213		0,759
2002	0,057913092	6,24	3,549707651	6051,453125	36,6		3978480458	9849829266	0,353035837	684,5	25,82579994		0,766
2003	0,059924338	6,3	5,267861843	7807,943848	38,1		4896164821	12956716707	0,369899958	840,4	28,00436592		0,771
2004	0,062281079	6,34	3,114111423	9354,227539	40,4		6629823869	15196854005	0,441561401	993,1	27,44486237		0,778
2005	0,06201616	6,47	3,956844807	10208,73047	41,3		7525291081	17024076626	0,460783869	1050,3	27,82849693	834830	0,783
2006	0,061965338	6,54	6,548946381	11345,74219	38,9		8975404573	19636473489	0,571395218	1137,2	29,7392807		0,793
2007	0,063712802	6,61	7,600401402	13546,86523	37,7		10513018123	23667586388	0,474211425	1316,2	29,73661423		0,8
2008	0,070378306	6,72	7,361297131	15892,31641	39,6		11711153593	27618843186	0,569998205	1536	31,44706917		0,803
2009	0,06628631	6,78	5,097375393	14168,67383	48,9	32,59999847	9171216440	19556787441	0,596849859	1465,3	25,12960243		0,802
2010	0,064582289	6,68	2,379692793	13546,21387	58,1	32,40000153	10684135442	18522267465	0,622320652	1396,5	21,42479706	861928	0,808
2011	0,060857103	6,9	2,271644115	14578,29004	65	32,29999924	12181653586	21076622536	0,561252236	1458,7	20,67110634		0,815
2012	0,056164077	6,93	2,590879202	13250,75684	70,6	32,5	11139866965	19232524954	0,706691682	1345,1	19,17575264		0,816

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Transparency International	Corruption Perception Index - 2013
2013	0,053502735	6,9	1,611946702	13663,51953	81,6	32	11853681937	20571706829	0,701186359	1391,2	19,42101479		0,821
2014	0,054848758	7	6,866252899	13606,89355	85,7	32,09999847	12949698925	21434053053	0,692963302	1384	18,76764488		0,824
2015	0,053773981	7,04	0,321212918	11773,26465	85,3	31,10000038	11907590178	19282456345	0,51401335	1109	20,00597954	872057	0,827
2016	0,055230728	6,96	3,610166311	12371,00195	82,3		11644321582	19757226412	0,500023067	1139,1	20,76396179		0,828
2017			3,69560957	13382,71973	77,8		14864195670	23534742087	0,576743722	1219,2	20,92746925	916824	0,831
1990	500												
1991	122,2222214									11,14000034			
1992	625									10,85900021			
1993	1500							2285752941	1147528326	10,65600014			
1994	107,3275833							2857145708	1229118774	11,64900017			
1995	3,950103998							2454516374	1407435471	10,9289999			
1996	4,300000191		-0,039481889		-0,17141071			3330610600	1735400379	9,949999809	-0,161426276		
1997	4,170661449							4043888808	1999748948	9,909999847			
1998	6,396686554		0,068860143		-0,080546848			4027490562	1914100095	11,39000034	-0,292461693		
1999	4,019138813					0,840399981		3776868497	2079669621	13,56000042			
2000	4,611315727		0,278126091		-0,029617649	1,044100046	0,030786019	4451413906	1955564530	16,05999947	0,510653853		
2001	3,776702404					0,91644001		5296485450	2049612307	15,81999969			
2002	1,671784401		0,627438366		0,320475161	0,948109984	-0,14570345	5876913736	2475403947	15,05000019	0,556711018		
2003	1,767337799		0,558648467		0,509058237	0,950590014	-0,023263989	8889392946	3159773904	13,92000008	0,623684108		
2004	2,055396795		0,686098754		0,535651147	1,030799985	0,085002981	9756087369	3722409744	13,65999985	0,658320665		
2005	3,317178249		0,433062315		0,509991169	0,855579972	0,128532663	10253390075	3590693358	12,60000038	0,452612311		
2006	3,189826012		0,55918771		0,419780761	0,740090013	0,00607663	11170733163	3811158395	11,13000011	0,481493741		
2007	2,899282694	2,5	0,604719877		0,491163731	0,792249978	0,087641433	13013070585	4224348288	9,909999847	0,517976046		
2008	6,076968193		0,571746171		0,509800732	0,884130001	0,086383566	15772859828	5310896653	8,529999733	0,467806906		
2009	2,378528357		0,611587286	20,60000038	0,559880912	0,844250023	0,162146658	12626396324	4441729783	9,199999809	0,486277878		
2010	1,030555501	2,36	0,608463645	20,89999962	0,574334085	0,744690001	0,201946497	11661520500	4208231876	11,61999989	0,47642827		
2011	2,25		0,62374711	20,39999962	0,537302554	0,75237	0,217892975	13181448258	4417427973	13,68000031	0,521082401		
2012	3,422982931	3,35	0,606891453	19,5	0,458282679	0,751129985	0,245607689	12254259236	4017717449	15,93000031	0,540830553		46
2013	2,206461668		0,64266789	19,39999962	0,463074595	0,815609992	0,291649491	13014665530	4067909417	17,25	0,513741314		48

2014	-0,208172709	2,92	0,619112372	20	0,395069212	0,790769994	0,319685102	13595432728	3968859429	17,29000092	0,514940262	48
2015	-0,50390774		0,590728045	19,5	0,364022464	0,850520015	0,200360253	12480697792	3716321085	16,18000031	0,55546391	51
2016	-1,125	2,99	0,663769484		0,35627833	0,856209993	0,409193337	13647424010	3941365100	13,10000038	0,524490893	49
2017	1,12937212		0,745223463		0,424106002		0,334272116	15379613233	4657106872	11,21000004	0,511365354	49

North Macedonia

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,027974938			2354,263428							17,7631588	429555	
1991	0,025845823			2477,685547							16,80785179		
1992	0,02436092			1225,373169							14,72110271		
1993	0,023146051			1352,025757							15,20463467		
1994	0,022678492		0,674805224	1794,709839							14,70324707		
1995	0,021313581		0,202774361	2359,800293							19,73462105	491152	
1996	0,021849384		0,240999937	2338,068359			775920000	1205080000	-0,640733182		19,09791946		
1997	0,02125828		0,400613308	1964,881958			764890000	1197470000			19,93958855		
1998	0,022119486		4,006222725	1866,850098			696205341,9	1372595475	-0,60407722		21,16539001		
1999	0,020320076		2,288095951	1908,592651	29,8		687354088,4	1306440207		297,8	18,72711563		
2000	0,021149578		5,765058517	1854,145996	45,6		688973176	1506873965	-0,748118877	273	21,87969971	531341	0,669
2001	0,019758839		12,65812778	1815,920044	45,2		604909169	1297470380		263	17,35468102		0,673
2002	0,018789672		2,841789246	1961,203735	40,5		593385808,6	1535417158	-0,518777847	295	20,82983589		0,679
2003	0,020931672	6,19	2,406686306	2408,800049	36,5		762765744,3	1769454122	-0,368606955	368,4	17,92894554		0,686
2004	0,021965027	6,07	5,439959526	2762,561768	34,6		1046950226	2357279553	-0,182697937	421,2	21,04556465		0,693
2005	0,023493108	6,42	2,322078228	3037,754639	36,7		1406720901	2642109122	-0,328652352	433	19,84554863	459339	0,702
2006	0,02474422	6,61	6,229860783	3325,613281	30,6		1787983710	3206087491	-0,114726387	472,7	21,40783691		0,708
2007	0,024489813	6,72	8,798282623	4036,140137	23,5		2558722054	4434403312	-0,211714402	540,7	23,71215057		0,712
2008	0,02365424	6,83	6,172717094	4793,292969	20,6		2996390236	5838842775	-0,018986769	629,7	27,93270493		0,728
2009	0,020245732	6,89	2,760452271	4543,890137	23,6	42,79999924	1891910613	4313809147	-0,051188748	681,1	25,74248314		0,731
2010	0,024494131	6,93	3,204382658	4542,904297	24,1	40,20000076	2617244957	4648949681	-0,089965388	651,4	24,46832275	465416	0,735

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Absence of Violence/Terrorism	Political Stability and Absence of Corruption	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Transparency International	Corruption Perception Index -
2011	0,025916458	7,11	4,839814186	5064,041016	27,7	39,40000153	3338572447	5980121664	-0,107688405	692,4	26,91291809			0,738
2012	0,025139709	7,23	3,467445374	4698,689453	33,7	38,09999847	2965108634	5548963248	-0,070141509	640,4	28,92717552			0,74
2013	0,025300121	7,19	3,720364332	5211,499023	34	36,20000076	3155727913	5629857304	-0,052818637	669,1	28,80784798			0,743
2014	0,029688357	7,24	0,53580755	5469,217773	38	35,20000076	3687188591	6155835707	0,131663471	675,3	30,29522514			0,747
2015	0,028220121	7,16	2,947029114	4840,319824	38,1	35,59999847	3376974944	5395092977	0,118493073	579,3	30,4703064	497411		0,754
2016	0,029149959	7,13	5,14755249	5128,022949	39,5		3903258993	5912020575	0,097980186	589,8	32,50968933			0,756
2017			3,375492573	5414,614746	39,3		4614014299	6628443433	0,140013874	618	32,97956467	534720		0,757
1990														
1991											35,70100021			
1992											35,67399979			
1993											35,83499908			
1994	126,5833664										36,02799988			
1995	16,37358856										35,81499863			
1996	2,46660018		-0,48029688		-0,348028451		-0,307622254	266930000	309260000	36,2120018	-0,387256861			
1997	1,294364929					0,377730012		191420000	291040000	36				
1998	0,544199646		-0,712203383		-0,16214186	0,4296	-0,35445714	311992922	211047992,8	34,5	-0,160104439			
1999	-1,279286623					0,345099986		399504096,8	237492042,2	32,40000153				
2000	6,607422829		-0,61672163		-0,133276969	0,418879986	-0,572492301	446900568,6	271125479,6	32,20000076	-0,343047321			
2001	5,198885441					0,293099999		411729382,3	265061730	30,52000046				
2002	2,314597845		-1,037647963		-0,188265875	0,244609997	-0,553118527	391750414	277410096,1	31,94000053	-0,165570736			
2003	0,85556215		-0,988463879		-0,183767602	0,210639998	-0,486816108	536773287,2	385302202	36,68999863	-0,02186485			
2004	-0,448650211		-0,852691352		-0,046069305	0,232370004	-0,235237822	621852957,5	501256797,7	37,15999985	-0,161177367			
2005	0,525515974		-1,158371925		-0,234496996	0,228249997	-0,31782496	686667732,3	545183165,2	37,25	-0,1014686			
2006	3,213629246		-0,73793745		-0,047972381	0,193729997	-0,532436609	757778806,8	566184461	36,02999878	0,173717871			
2007	2,251758099	2,29	-0,425797373		0,108783476	0,170929998	-0,426980704	1053078066	765684707,3	34,93000031	0,276678562			
2008	8,331896782		-0,296046674		0,222224444	0,223580003	-0,347148299	1260752157	980726035,7	33,75999832	0,19573997			
2009	-0,739633977		-0,299243689		0,286594808	0,196789995	-0,257046133	1103746809	818374265,8	32,18000031	0,168138519			
2010	1,509975195	2,55	-0,518517077	27	0,320965379	0,216340005	-0,264311492	989196130,9	814450514,6	32,02000046	0,114985645			
2011	3,904754162		-0,617963791	26,79999924	0,319800913	0,222760007	-0,236664414	1455618922	954441540,5	31,37999916	-0,039491851			

2012	3,316055775	2,6	-0,492649525	26,20000076	0,352273494	0,326759994	-0,220716566	1367123322	973563019,2	31,02000046	-0,028496105	43
2013	2,784384012		-0,416076392	24,20000076	0,330021769	0,438939989	-0,19962278	1533502209	1035805944	29	-0,057545625	44
2014	-0,281018198	2,5	0,256382942	22,10000038	0,482773513	0,516460001	-0,052508973	1729729475	1224143112	28,03000069	-0,14148204	45
2015	-0,301279038		-0,287016064	21,5	0,431717932	0,444680005	-0,188808754	1528483109	1141592844	26,06999969	-0,181900084	42
2016	-0,237052783	2,58	-0,351204664	21,89999962	0,440940082	0,426770002	-0,277556598	1536477130	1158674557	23,71999931	-0,236089408	37
2017	1,349839568		-0,249014691	22,20000076	0,504985034		-0,241922408	1632144307	1203783426	22,37999916	-0,140340164	35

Montenegro

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,010883236											78678	
1991	0,01042964												
1992	0,0095205												
1993	0,008228544												
1994	0,008176336												
1995	0,008408975											145926	
1996	0,009064354												
1997	0,009086088												
1998	0,009387492												
1999	0,008873825												
2000	0,009198885			1627,072632							23,27111053	181128	
2001	0,009143532			1909,598755							24,39947128		
2002	0,008911405		5,595930099	2106,63501	76,7						19,55374908		
2003	0,008468318		2,894606829	2789,15918	40,9					306,6	16,15756989		0,741
2004	0,008291983		3,153361082	3380,165039	45,4					376,7	17,54718971		0,748
2005	0,008340947	6,3	22,17869568	3674,61792	38,6	30,20000076			0,354482442	406,2	18,67774773	148193	0,753
2006	0,008156922	6,91	22,85170746	4425,681152	36,7	30			-0,12773858	543,7	23,92112923		0,764
2007	0,008105579	7,04	25,47104645	5976,39209	31,8	31,39999962	648445440,1	2776918078	-0,222313598	681,1	34,76964951		0,775
2008	0,007711117	7,19	21,45128632	7367,751953	34,2	30,5	623054200,1	3639479788	-0,034991089	895,7	41,18154144		0,786
2009	0,007377332	7,16	37,24909592	6727,10791	43,7	31	383451618,3	2246617277	-0,021930059	896,9	26,95493507		0,788
2010	0,007228274	7,33	18,3225975	6682,28125	45	28,89999962	449042714	2128448788	0,090153858	947,9	21,75937271	131352	0,793
2011	0,007037565	7,14	12,2572403	7318,742676	48,6	30,79999924	653739844,6	2471692638	0,098415978	1005	19,32748985		0,798
2012	0,006756086	7,25	15,12742138	6586,719238	56,9	32,29999924	497815899,8	2273858913	0,130459979	934	20,58792877		0,8
2013	0,006530339	7,08	10,00143719	7186,432129	58,7	32,40000153	525273151,9	2289538265	0,160067886	964,2	19,59861755		0,803
2014	0,006412873	7,17	10,82919025	7378,34082	63,4	31,89999962	473077767,7	2300752979	0,265190095	960,5	20,21446419		0,805
2015	0,006478878	6,74	17,26502419	6514,272461	68,8		366082998,3	1988263392	0,155747339	804,4	20,08476067	135539	0,809
2016	0,006561216	7,04	5,18198061	7028,939941	66,4		387942874,3	2225664641	0,110970736	831,3	26,09873962		0,81
2017			11,56527233	7782,839844	67,2		434097241,4	2542147212	0,154392779	864,2	29,02939224	137589	0,814

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Corruption Perception Index - Transparency International
1990												
1991										27,06599998		
1992										26,15200043		
1993										26,03700066		
1994										32,02799988		
1995										30,43400002		
1996										33,04999924		
1997										29,58300018		
1998							-0,783123136			29,92900085	-0,594267905	
1999										28,30500031		
2000							0,335196882			32,05500031	-0,501997948	
2001										29,6060009		
2002							0,293867916			29,83300018	0,012423349	
2003						0,797739983	-0,156781644			30,00600052	0,085785493	
2004						1,018720031	-0,208967537			30,40699959	0,113930926	
2005					-0,128761932	0,924430013	-0,13120091			30,30999947	0,134036958	
2006	2,924512625		0,042552851		-0,331497699	1,241719961	-0,270817995			24,85499954	0,262788713	
2007	4,347122192		0,107555561		-0,17829442	1,148910046	-0,15415737	933298863,9	393743703,4	19,39999962	0,258968711	
2008	8,758728027		0,765100598		-0,126968026		-0,075675674	1192831303	608987827,2	17,14999962	0,235908493	
2009	3,46672368		0,816264451		-0,04364907		0,070342734	1052971352	466951667,6	19,09000015	0,24179399	
2010	0,654946566	2,45	0,584210992		-0,065708861		0,013517714	1048373626	433582673,8	19,68000031	0,189758241	
2011	3,450143099		0,565341532		-0,05795151	0,314850003	0,017082615	1271070883	430227973,1	19,70999908	0,20789057	
2012	4,145247459	2,3	0,596563041	25,20000076	0,021399602		0,019058798	1203512138	433506301,4	19,72999954	0,217905939	41
2013	2,205892563		0,504595459	24,10000038	0,065532573	0,374309987	0,045480549	1317325957	453201116,6	19,5	0,178289801	44
2014	-0,710514069	2,84	0,219455272	24,39999962	0,126558572	0,363200009	0,081718199	1368539387	450555840,8	18	0,160300255	42
2015	1,54869163		0,140797719	24	0,226793215	0,374000013	0,051777143	1347043771	470791212,9	17,52000046	0,144006342	44
2016	-0,271385014	2,07	0,27663064		0,224432647		-0,005669477	1396024148	536967191,7	17,70000076	0,075984672	45
2017	2,38023591		0,01289386		0,298689544		0,013000478	1590258299	601663796	16,06999969	0,123697452	46

Romania

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,081704365	5,02	2,5644E-05	1680,705566			5770000000	9114000000			30,24828148	813087	0,701
1991	0,068067525		0,137937292	1260,749023			4266000000	5372000000		80,8	28,04573631		0,686
1992	0,062743094		0,306508332	1102,10376		25,5	4364000000	5558000000		43,1	31,40549278		0,678
1993	0,064862587		0,35656175	1158,132568			4892000000	6020000000		83,9	28,92771912		0,678
1994	0,067910113		1,133853197	1323,10437		28,20000076	6146000000	6555000000		100,5	24,80913544		0,681
1995	0,072186657	4,15	1,112524986	1660,272827			7900000000	9473000000		128,6	23,57934952	977110	0,687
1996	0,072100601		0,707313657	1643,880493			8068000000	10544000000	-0,286933869	120,7	23,36720848		0,695
1997	0,069127917		3,390200615	1589,014038			8403000000	10396000000		110,5	21,48031616		0,696
1998	0,068085602		4,838479042	1864,991333			8189000000	10913000000	-0,569097519	152,4	18,49889565		0,698
1999	0,065817207		2,87704134	1610,134399			8307000000	9589000000		127,7	15,869133		0,704
2000	0,069507652	5,73	2,769873857	1668,16272	29,4		10143000000	12043000000	-0,373169273	133,4	19,82041359	1139120	0,709
2001	0,074342927	5,77	2,841576338	1839,729492	27,2		11016000000	14347000000		147,5	22,62184906		0,715
2002	0,080889322	6,31	2,477554798	2124,873535	27,3		13293000000	16476000000	-0,200361192	164,9	22,45469475		0,724
2003	0,087464978	6,49	3,080119848	2774,955811	24		16843000000	22142000000	-0,258438528	203,1	22,7213974		0,734
2004	0,09254572	6,63	8,453557014	3552,924561	21		22478000000	30138000000	-0,205614612	253,7	24,28622437		0,746
2005	0,095740156	7,24	6,518363953	4676,314941	17,5		14451881702	28695125737	-0,30682531	331,9	23,8700428	2106961	0,755
2006	0,098220327	7,03	8,909854889	5828,745605	12,5	39,59999847	18002765601	38246715661	-0,210183203	409,5	27,23208237		0,767
2007	0,099025894	7,57	5,742555141	8424,737305	12,3	37,5	30070071881	58964747669	-0,319075227	579,2	31,11697769		0,781
2008	0,103611261	7,32	6,39864254	10400,54395	13	36,40000153	39933517650	72322951480	-0,324172407	689,6	33,15431213		0,795
2009	0,109722387	7,45	2,686770916	8474,87207	22,6	35,59999847	33710931123	46302121608	-0,359749705	624,4	26,64558792		0,798
2010	0,112547829	7,3	1,933363914	8209,919922	30,8	35,5	43347321846	56086692480	-0,265529186	609,5	27,14298439	3274229	0,797
2011	0,1110318437	7,34	1,292006373	9104,996094	34,1	35,90000153	55793768176	68870769199	-0,328980565	667,2	28,11226845		0,798
2012	0,102891337	7,47	1,780161262	8535,046875	37,7	36,5	51267857469	63157011999	-0,311950058	614,8	26,95008278		0,795
2013	0,105186167	7,63	2,018768311	9555,244141	39	36,90000153	58315038926	66047921481	-0,074424632	673,5	25,58476639		0,8
2014	0,105078833	7,74	1,938215137	10026,97363	40,5	36	62168321450	70776002504	-0,025993757	705,6	24,68394279		0,802
2015	0,098635895	7,7	2,427144766	8977,499023	39,4	35,90000153	54508052504	63127793838	-0,056023832	638,8	25,12825775	3412055	0,805
2016	0,101495518	7,69	3,316833019	9567,097656	38,8		57721740110	68001568315	-0,170302972	711,6	23,33337402		0,807
2017			2,809514523	10817,83398	36,8		64582595906	78429058321	-0,173382983	819,4	24,43712234	3578504	0,811

Year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Transparency International	Corruption Perception Index -
1990								610000000	787000000				
1991	230,6224976							680000000	819000000	8,074999809			
1992	211,2055817							659000000	946000000	8,260000229			
1993	255,1668549							799000000	914000000	8,237999916			
1994	136,7593994							1049000000	1222000000	8,170000076			
1995	32,24248505							1503000000	1832000000	8,010000229			
1996	38,82929993		0,598171532		0,026118133	0,670260012	-0,021942498	1572000000	1951000000	6,739999771	0,286023378		
1997	154,7634735					0,570280015		1543000000	1911000000	5,510000229			
1998	59,09658432		0,500386059		0,224793375	0,492080003	-0,10568364	1332000000	1836000000	5,630000114	0,389990568		
1999	45,8037796					0,395790011		1380000000	1610000000	6,239999771			
2000	45,66659546		-0,382385701		-0,108784169	0,364450008	-0,20492062	1762000000	1792000000	6,96999979	0,469307065		
2001	34,47701263					0,388200015		2058000000	1817000000	6,559999943			
2002	22,53988647		0,463401139		0,038678259	0,376329988	-0,260101944	2410000000	1829000000	8,109999657	0,386146128		
2003	15,273489		0,320590228		-0,041146256	0,383410007	-0,20898971	3080000000	2248000000	6,949999809	0,299218893		
2004	11,8743639		0,059024166		0,164422125	0,383069992	-0,174693137	3742000000	3012000000	7,71999979	0,367766201		
2005	9,014912605		0,084560886		0,234290645	0,407469988	-0,138228342	9668082197	5498005695	7,170000076	0,408908844		
2006	6,558514118		0,147871539	24,60000038	0,462568402	0,45122999	-0,117874376	12268192991	7057861084	7,269999981	0,517973423		
2007	4,837329388	2,73	0,198379144	23,60000038	0,507853985	0,52056998	-0,090740047	13092354292	9008861697	6,409999847	0,498997658		
2008	7,850802422		0,17996037	22,10000038	0,580709636	0,568409979	-0,013610071	16356330994	12069326662	5,789999962	0,514151156		
2009	5,587419987		0,360215306	21,60000038	0,602762341	0,461670011	0,045407757	11798530483	10497022060	6,860000134	0,464287341		
2010	6,091416836	2,25	0,273600399	22,29999924	0,642885506	0,452060014	0,048213527	10380510348	8396556887	6,960000038	0,432123989		
2011	5,789253235		0,186090663	22,89999962	0,658255816	0,493160009	0,056954619	12085197402	9794933531	7,179999828	0,376137167		
2012	3,334922791	2,51	0,082341559	23	0,554657161	0,48251	0,042129636	12692032820	9508543344	6,789999962	0,318529606		44
2013	3,984712362		0,179133072	25,10000038	0,611765563	0,38666001	0,125015959	17852754614	11606943607	7,099999905	0,311523467		43
2014	1,068309903	2,77	0,049136128	25,39999962	0,581345499	0,382499993	0,165362	20027907075	12241974255	6,800000191	0,428126812		43
2015	-0,594156444		0,189114437	25,29999924	0,596795261	0,487879992	0,157549575	18459741095	10926963060	6,809999943	0,486097127		46
2016	-1,544796705	2,88	0,277196616	23,60000038	0,587475419	0,482639998	0,361005455	19918834755	11372316696	5,900000095	0,539747953		48
2017	1,339021206		0,05712365		0,488174856		0,38756296	23416804220	14140788135	4,929999828	0,517496526		48

Serbia

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,048120014											708804	0,718
1991	0,045755575												0,715
1992	0,04108073												0,702
1993	0,0373467												0,685
1994	0,036765457												0,689
1995	0,031087389		0,268569261	2196,618408							14,39750385	921409	0,695
1996	0,030626238		4,77357E-06	2749,966553					-1,06467998		18,69764137		0,699
1997	0,033812561		3,064436436	3178,831543						232,5	17,85260582		0,705
1998	0,034740693		0,618020117	2416,069092					-0,884606361	153,8	12,88851833		0,708
1999	0,026375866		0,60838604	2441,43042						87,2	9,591682434		0,704
2000	0,029640742		0,791727126	870,1365356	224,8				-0,845163643	69,5	10,547719	1133078	0,711
2001	0,029482257		1,446469188	1634,875	106,3					129,1	19,19882011		0,716
2002	0,029511437		3,044242144	2149,909424	76,1	32			-0,506652117	205,9	21,17475319		0,72
2003	0,028997634		6,923437119	2832,490723	71,8	32,79999924			-0,62103337	288,5	22,09268379		0,726
2004	0,03300115		3,85523963	3331,22876	62,2	35,5			-0,213624835	352,1	29,86218834		0,734
2005	0,033572576	5,96	6,007295609	3528,131104	54,1	36,5			-0,331083566	382,4	24,77080154	927661	0,742
2006	0,035210838	6,39	13,90389729	4129,758789	40,3	29,70000076			-0,208797961	472,8	25,03859901		0,747
2007	0,038513953	6,77	10,98033333	5458,121582	33,4	28,70000076	7986925180	17780182656	-0,228353888	662,8	29,1125946		0,751
2008	0,040637023	6,55	8,233222008	6701,773926	32,4	27,60000038	10089780780	22588112785	-0,191555783	819,6	30,34095192		0,757
2009	0,039561927	6,58	6,872611523	5821,305176	36	28	7748091968	14795032777	-0,039231621	653,2	19,41576576		0,759
2010	0,037693755	6,56	4,291220665	5411,877441	43,7	29	9074686556	15328567280	-0,045986209	610,4	18,46928787	846196	0,759
2011	0,037012176	6,64	10,60952377	6423,291992	46,6		11303146025	18930718586	-0,089825861	719,1	20,10289001		0,769
2012	0,037739735	6,55	3,132126093	5659,380371	57,9		10761144837	18016574002	-0,101885274	652,8	21,0105381		0,768
2013	0,042485881	6,68	4,52486372	6353,826172	61,1	29	13975793131	19503821612	-0,08672297	712,9	17,64984703		0,771
2014	0,042132373	6,71	4,522696018	6200,17334	71,9		14137194140	19584892442	0,089616925	694,8	17,49402809		0,775
2015	0,040048904	6,76	6,310903549	5237,255371	76	28,5	12596883056	17026121271	0,111243814	561,9	18,8519268	931921	0,78
2016	0,041598361	6,85	6,148155212	5426,198242	73,1		14177035454	17626442992	0,087330192	570,4	19,07867622		0,785
2017			6,948354244	5900,038086	62,5		15921195113	20438528172	0,191546947	612,3	20,99853516	956455	0,787

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)	Unemployment, total (% of total labor force) (modeled ILO estimate)	Voice and Accountability	Corruption Perception Index - Transparency International
1990												
1991										12,62800026		
1992										12,48499966		
1993										12,61299992		
1994										13,61999989		
1995	82,66051483									13,39999962		
1996	95,60092926		-1,033390403		-0,717159688		-1,262493134			13,19999981	-1,2158041	
1997	23,30786705					0,754040003				13,80000019		
1998	30,15970039		-2,13918376		-0,817102075	0,801349998	-1,260456324			13,69999981	-0,973842919	
1999	42,45390701					0,997189999				13,69999981		
2000	71,12062836		-1,642953277		-0,856346786	0,898069978	-1,271872282			12,60000038	-0,63773793	
2001	95,00522614					0,32119				12,80000019		
2002	19,49083138		-0,512325943		-0,617452145	0,679539979	-0,861451626			13,80000019	0,003405629	
2003	9,876178741		-0,582104743		-0,585421145	0,521380007	-0,85236007			15,19999981	-0,12049368	
2004	11,02636242		-0,509060681		-0,446547151	0,304439992	-0,723166645			18,5	-0,176049948	
2005	16,11997986		-0,765158296		-0,582930446	0,416850001	-0,906718612			20,85000038	-0,206954584	
2006	11,72402287		-0,539612234		-0,443124712	0,466780007	-0,53183043			20,85000038	0,214458928	
2007	6,391706467	2,18	-0,591053247		-0,342216849	0,620169997	-0,466741562	3159181085	3496408623	18,05999947	0,305300176	
2008	12,4109869		-0,543842375		-0,289917678	0,709550023	-0,495025516	4029255035	4323099406	13,63000011	0,281703681	
2009	8,116950989		-0,47758925		-0,126108244	0,866129994	-0,413305044	3493797432	3474989510	16,10000038	0,335619777	
2010	6,142553806	2,3	-0,421741664		-0,022393987	0,744270027	-0,373143047	3519695360	3533617065	19,21999931	0,286466479	
2011	11,13739777		-0,282882065		0,025294127	0,72438997	-0,289622188	4210601890	4000000759	22,96999931	0,278624475	
2012	7,330385685	2,62	-0,217299461	24,5	-0,063378148	0,906910002	-0,356304169	3971914547	3827507490	24	0,198943496	39
2013	7,694263458		-0,075638093	25	-0,061157309	0,726840019	-0,326106429	4549709428	4131421022	22,14999962	0,285488486	42
2014	2,082448006	2,73	0,184110776	26,70000076	0,141216069	0,769720018	-0,149681732	5042750630	4433296268	19,21999931	0,212611303	41
2015	1,392358184		0,238982022	25,89999962	0,155341968	0,865360022	-0,117168836	4740077063	3936422334	17,92000008	0,231035233	40
2016	1,122313976	2,49	0,140153602	25,70000076	0,05629956	0,890590012	-0,159240276	5054525801	4051915594	15,26000023	0,199036479	42
2017	3,131062508		0,102278605		0,009044431		-0,192299008	5944154784	4863200507	14,10499954	0,115793943	41

Slovenia

year	Competitive Industrial Performance Index	Economic Freedom Ranking	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	General government gross debt (Percent of GDP)	GINI index (World Bank estimate)	Goods exports (BoP, current US\$)	Goods imports (BoP, current US\$)	Government Effectiveness	Gross Average Monthly Wages, US\$	Gross capital formation (% of GDP)	Human Capital Flight	Human Development Index (HDI)
1990	0,107214301											91652	0,767
1991	0,10099418												0,765
1992	0,095916453						5611700000	5024300000					0,766
1993	0,092700954					29,20000076	4918300000	5374700000					0,769
1994	0,094981872						5919400000	6526300000					0,775
1995	0,100527881	5,31	0,706997633	10690,66504	16,8		7337300000	8585700000			25,0809803	108821	0,782
1996	0,101324466		0,806796134	10801,42871	20,1		7369900000	8522100000	0,887160182		24,7372818		0,788
1997	0,101337661		1,612114906	10447,93555	20,7		7518500000	8559300000			25,90534973		0,796
1998	0,106895248		0,974896073	11165,27637	21,2		8211400000	9275100000	0,825600743		26,91505623		0,805
1999	0,103043001		0,469810605	11441,99707	22		7859300000	9331500000			28,85535812		0,819
2000	0,102784219	6,58	0,667577684	10227,73633	29		8760700000	9897300000	0,751933753		28,52063942	118891	0,825
2001	0,106699368	6,81	2,400913477	10479,2959	28,5		9286800000	9896200000			26,37629318		0,835
2002	0,112627836	6,77	7,850251198	11814,09961	28,4		10423000000	10656100000	0,918099225	1076,8	25,34934807		0,843
2003	0,118802224	6,88	1,803521991	14880,47168	27		12850400000	13451800000	1,08082366	1383,9	26,42180443		0,85
2004	0,120906888	6,88	2,21379447	17260,90234	26,8	24,79999924	16006500000	17255900000	0,922730684	1644,6	28,6055603		0,857
2005	0,122867762	6,91	2,670923948	18169,18164	26,3	24,60000038	18074600000	19322800000	0,892818451	1744,6	28,3799324	119913	0,861
2006	0,124467248	6,98	1,746976614	19726,12695	26	24,39999962	21765422920	22771684811	0,963559985	1860,5	30,17775345		0,869
2007	0,130135343	6,95	3,917582989	23841,31836	22,7	24,39999962	27571833207	29330592495	0,936191022	2160,4	32,87601852		0,873
2008	0,12926658	7,01	1,944743872	27501,81055	21,6	23,70000076	29554360714	32650863618	1,187827349	2485,2	32,69490051		0,878
2009	0,123074401	7,02	-0,6891644	24633,79883	34,5	24,79999924	22697993431	23312148520	1,154733896	2400	23,38212204		0,878
2010	0,119581996	6,82	0,664509475	23437,47266	38,2	24,89999962	24684409535	25685155803	1,02644074	2385,3	22,23994827	124470	0,882
2011	0,116100378	6,83	1,707021356	24985,24805	46,4	24,89999962	29279536427	30627222293	0,98951149	2537,9	21,72006035		0,884
2012	0,110194487	6,84	0,072375529	22532,43555	53,8	25,60000038	27323093089	27433601179	1,031650066	2307,1	18,7064209		0,877
2013	0,108708241	6,75	0,216095865	23357,93945	70,4	26,20000076	28809115828	27875086759	1,013162732	2402,1	19,48490715		0,885
2014	0,111717904	7,01	2,04246664	24202,43164	80,3	25,70000076	30478561148	28911494815	1,005159855	2441	19,58446312		0,887
2015	0,102254836	7,08	4,01518631	20873,16016	82,6	25,39999962	26658817841	25021402516	0,972628713	2066,4	19,37065697	134338	0,889
2016	0,110888704	7,05	3,234362602	21650,21289	78,6		27650017093	25944609460	1,127702594	2118,5	18,70050812		0,894
2017			2,218343496	23597,29102	73,6		32159918539	30396995736	1,170743942	2230,9	19,28642654	143500	0,896

year	Inflation, consumer prices (annual %)	Infrastructure quality (part of LPI)	Political Stability and Absence of Violence/Terrorism	Poverty headcount ratio at national poverty lines (% of population)	Regulatory Quality	Research and development expenditure (% of GDP)	Rule of Law	Service exports (BoP, current US\$)	Service imports (BoP, current US\$)
1990	552,0835571								
1991	114,8329391								
1992	209,9337311							1421000000	1037800000
1993	31,76213074							1694300000	1017400000
1994	20,99181747							2078500000	1165300000
1995	13,46372986							2321300000	1444500000
1996	9,864450455		1,310593009		1,09056139	1,266330004	1,068722963	2461400000	1494900000
1997	8,359680176					1,247269988		2307700000	1405600000
1998	7,891166687		1,242043138		1,066001773	1,30637002	1,25809443	2296900000	1525100000
1999	6,155587673					1,338140011		2114000000	1522100000
2000	8,911744118		0,885953069		0,692426622	1,356299996	1,035778642	1889300000	1442000000
2001	8,379666328					1,467730045		1961200000	1468900000
2002	7,48077774		1,302580833		0,886924565	1,438740015	0,988783419	2315700000	1746600000
2003	5,544164181		1,186496615		0,895532548	1,245280027	0,973960161	2791000000	2203700000
2004	3,592975855		1,080859303	12,19999981	0,853808761	1,368059993	0,928005457	3459900000	2616500000
2005	2,451501369		1,091757059	11,60000038	0,885415077	1,412289977	0,893384457	3976000000	2925400000
2006	2,457924366		1,084756851	11,5	0,795602322	1,532909989	0,910226941	4356632822	3266585584
2007	3,657495737	3,22	1,097748756	12,30000019	0,799915671	1,423820019	0,923824251	5457666312	4297003072
2008	5,647423744		1,147953272	11,30000019	0,834188402	1,625640035	1,00898242	7444701375	5360105375
2009	0,839262247		0,93480581	12,69999981	0,915641665	1,816290021	1,07542634	6149863250	4602706270
2010	1,80117023	2,65	0,866508842	13,60000038	0,761264265	2,057630062	1,008394241	6158551329	4557121887
2011	1,802851677		0,969209671	13,5	0,69726038	2,423579931	1,052851915	6830610234	4871888981
2012	2,597413778	3,24	0,935110688	14,5	0,63064003	2,573189974	1,014998674	6551981698	4615628837
2013	1,769200802		0,88225168	14,5	0,630146861	2,58010006	1,000792265	7062617157	4766883232
2014	0,19934383	3,35	0,965773404	14,30000019	0,661628067	2,366699934	1,001514196	7374399515	5121803508
2015	-0,525552273		0,953392744		0,62634939	2,196549892	0,974581301	6580792327	4441814936
2016	-0,054999541	3,19	0,990436018		0,640269399	2,002019882	1,082697988	7176728501	4684654056
2017	1,429107428		0,894625068		0,578153908		1,02346611	8246459377	5169106115

EU 15 average (“Old” member states)

year	Competitive Industrial Performance Index	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	Government Effectiveness	Rule of Law	Unemployment, total (% of total labor force) (modeled ILO estimate)	Corruption Perception Index - Transparency International
1990	0,265846618	1,461138948	20836,93564				
1991	0,261206519	1,309661505	21377,96576			7,626666752	
1992	0,261899207	1,07614737	22985,27832			8,29399999	
1993	0,257232633	1,257265661	20862,49987			9,896666686	
1994	0,264958132	1,407544298	22385,63001			10,28533317	
1995	0,273757523	1,610687691	26248,65781			9,852666601	
1996	0,273875415	1,489735383	26689,13249	1,590198096	1,54395082	9,899999905	
1997	0,273590338	1,80678272	24967,45632			9,428666703	
1998	0,285520396	4,654134956	25692,22741	1,693050154	1,540594065	8,747999907	
1999	0,28184158	6,179655797	26126,22865			8,006666517	
2000	0,277706852	9,72766577	24352,5832	1,670453691	1,548033806	7,010666704	
2001	0,279507697	4,663100021	24454,95215			6,102666664	
2002	0,283008013	5,816377104	26716,90371	1,713691672	1,530880217	6,458666579	
2003	0,287174989	4,626054283	32815,78678	1,698913888	1,542790679	6,903333346	
2004	0,283894147	3,909892766	37752,54297	1,659839257	1,516098217	7,222666645	
2005	0,282485931	9,22366091	39331,08971	1,585180505	1,491118479	7,157333247	
2006	0,280714184	12,70287877	42070,14414	1,489513586	1,507489858	6,742666658	
2007	0,278036224	8,922491439	48363,47396	1,4747708	1,529771636	6,217333285	
2008	0,270399843	7,784662167	51794,49427	1,458098839	1,523980226	6,318666665	
2009	0,2581595	7,731715222	46345,36055	1,485530734	1,503654375	8,332666731	
2010	0,25387079	9,134416013	45926,20508	1,474712865	1,51167234	9,035333411	
2011	0,246791405	7,551623249	49599,99401	1,460790662	1,494641642	9,485333379	
2012	0,235591746	21,14990762	46304,01914	1,450024982	1,483644289	10,62000004	71,66666667
2013	0,231087705	6,632788502	48353,87708	1,466234899	1,480767934	11,17733329	71,8
2014	0,231050015	6,447378145	49612,60417	1,421754309	1,558786112	10,71533346	72,66666667
2015	0,222829357	9,086278522	43623,61667	1,43357903	1,511180902	10,11133315	74,06666667
2016	0,224838783	10,3707714	43991,95703	1,40051348	1,437613569	9,39599994	73,2
2017		4,640782326	46016,73164	1,380611507	1,416919953	8,447933261	73,06666667

CEE countries (“New” member states)

year	Competitive Industrial Performance Index	Foreign direct investment, net inflows (% of GDP)	GDP per capita (current US\$)	Government Effectiveness	Rule of Law	Unemployment, total (% of total labor force) (modeled ILO estimate)	Corruption Perception Index - Transparency International
1990	0,082283123	0,009706459	2023,617676				
1991	0,074232515	0,324370258	1264,241699			11,88474989	
1992	0,068886154	0,353727281	1157,042297			12,01075017	
1993	0,067909588	0,362958029	1218,18988			12,19849992	
1994	0,069615317	1,110370278	1235,799377			12,05725002	
1995	0,07002419	0,74854482	4674,980438			10,49975002	
1996	0,069895867	1,168099836	4730,747498	0,164961876	0,016897574	9,337499857	
1997	0,066282488	2,945699155	4648,572571			8,942499995	
1998	0,067765563	3,277182251	5122,570892	0,032207305	0,145647794	9,152500033	
1999	0,065036535	3,901966125	4958,927368			10,30500019	
2000	0,066332745	3,976262853	4606,352356	0,178487453	0,185159811	11,54249966	
2001	0,069320259	3,810948849	4830,472626			11,99499989	
2002	0,073141865	4,858900487	5516,814209	0,32988118	0,137378159	11,79750013	
2003	0,078141476	5,036112577	7040,498901	0,326634521	0,150333215	10,26999986	
2004	0,080540789	6,404525101	8382,963501	0,327300202	0,181443341	9,857499957	
2005	0,082324237	6,743509114	9230,939148	0,307158612	0,197025411	9,090000153	
2006	0,08381773	10,06942552	10347,7041	0,316849056	0,176223508	8,324999928	
2007	0,086896643	12,12576807	12924,71753	0,270946097	0,218692614	7,004999995	
2008	0,089697695	8,657324851	15264,10632	0,34658601	0,243623116	6,074999928	
2009	0,088065952	3,651312888	13561,72583	0,389498085	0,311160087	7,185000062	
2010	0,08694447	2,154734299	13009,21838	0,374516852	0,297328429	9,024999857	
2011	0,085341908	2,233667672	14120,58521	0,332967179	0,303989566	10,07250011	
2012	0,080832758	1,940172045	12924,06604	0,392069947	0,304382758	10,95750022	52
2013	0,080247182	1,856776908	13555,88574	0,449317234	0,32876309	11,84749997	52,66666667
2014	0,081472594	3,19294849	13925,26489	0,437716825	0,360136016	11,29500031	53,75
2015	0,076402535	2,990339018	12154,42688	0,409858678	0,308872746	10,27250016	55,33333333
2016	0,079994821	3,274174094	12764,44202	0,438535418	0,447859111	8,642500162	54,66666667
2017		3,11786598	14006,45117	0,458825391	0,426103624	7,214999914	54,75

