

# ANALYSIS OF THE ECONOMIC SITUATION IN CASE OF THE MEMBERSHIP EXPANSION IN THE EU, AN APPROACH TOWARD WESTERN BALKANS

Dr. Rovenia Troplini Vangjel<sup>1</sup>;  
Msc. Mateus Habili<sup>2</sup>;  
Msc. Merjeme Zyko<sup>3</sup>

## **Abstract**

*This research paper seeks to examine the economic situation that arises in the context of EU membership expansion, focusing on the approach of Western Balkans. We aim to conclude if the current situation of the European Union would benefit from the inclusion of new members.*

*Achieving the paper's objectives required the analysis of crucial aspects such as investigating how EU membership expansion until today has impacted the economy of the union and whether new entrants experience accelerated growth and convergence with the more developed economies, studying the dynamics of labor mobility between existing and new member states and other economic exposures. The analysis in this paper used secondary data obtained from statistical platforms such as World Bank Statistics Eurostat, focusing on the data of the years when the most considerable accessions to the union happened due to higher visibility of the economic effects.*

*The study contributes to a deeper understanding of the complex dynamics accompanying the integration of new economies into the European Union, concluding that the scope of a genuine analysis considering the current period will always lead to making the most accurate decision.*

**Keywords:** (up to 5 words) Policy Objectives, Economic Integration, Macroeconomic Issues

**JEL classification:** E61, F15, F45

## **1. Introduction**

European Union, considered one of Europe's most outstanding achievements, is defined as an international organisation that stands for a unique and ambitious economic and political union among European countries (Archick & Garding, 2021). If we compare world trading blocs, the European Union would be identified as one of the most integrated due to the high participation of EU countries (2/3 be-

---

<sup>1</sup> University Aleksander Moisiu, Durres, Finance and Accounting Department

<sup>2</sup> Tirana Business University College, Tirane, Department of Management and Marketing

<sup>3</sup> University Aleksander Moisiu, Durres, Finance and Accounting Department

ing part of the union) (Veld, 2019). Different factors led to the development of the European Union throughout the years, depending on the Union's stage. Moving from year to year, the economy of the union was affected by diverse components such as the increasing of ICT technologies, the growing share of the service sector in the GDP of European countries, the effects brought by the standard monetary policy etc. (Leszko & Twarowska, 2016). In the centre of the European Union stands the sizeable domestic market, the Single Market, which appears as the most important achievement, stimulating competition and trade in the EU, which fuels the economic growth of each member country.

The European Union membership has gone through different phases, experiencing a drastic increase from 6 to 27 countries. The enlargement process in each round has had a specific political discourse; in 2004, when the second enlargement took place, the political discourse was under the term of transformative power. Another lesson to be framed as necessary in the union's enlargement saga is absorption capacity. This addressed the ability of the European Union to take in new member states and digest this process institutionally and procedurally (Economides, Featherstone, & Hunter, 2023). Different research papers reflect a situation where the EU suffers from enlargement fatigue, identified mainly after the so-called 2004 'Big Bang' enlargement. This is directly related to the absorption capacity discourse, centred on potential union members' political and economic legitimacy.

When considering membership to the European Union, there are some topics to be analysed in the economic direction apart from the accessibilities taken from participating in such economic and political union. The first topic is the paid funds by aspirant members to the EU minus payments from the EU to the aspirant members. The second topic, which embraces more issues, is associated with the macroeconomic impact that brings a much larger single market. This includes excluding import and export tariffs, customs unions, currency etc. (Gjeta, 2020).

This paper will extend the analysis to the macroeconomic developments, both positive and negative, of the European Union expansion for both countries becoming members as well as the union. The first part of the methodology will focus on analysing fundamental socioeconomic indicators for three countries included in this paper: Croatia, Bulgaria, and Albania. The reason for choosing these countries is unique for each of them. Thus, Croatia becomes part of this study as the last member country of the union and is also a Balkan country. Bulgaria is part of this work because of the lowest economic development in the European Union in terms of GDP distribution, 41% below the EU average (EUROSTAT, 2023). Albania is included in this paper as an official candidate country for entering the European Union.

The second part of the methodology will extend to relating the macroeconomic situation of Albania with the two current members of the EU to make (if existing)

a specific relationship which will determine if we can predict our future with the EU based on previous experiences of other countries now member.

The third and last part of the methodology will consist of driving a Gravity Model over the international trade of Bulgaria and Germany. In this case, Germany has been included as the most developed country in the EU. Through the Gravity Model and the analysis of GRETLL, we will settle the effects brought by membership into the European Union.

From this analysis, we can assess and predict the economic situation that could be created if Albania, as a candidate country, were to join the union.

## **2. Literature Review**

The creation of the European Union started with six countries in 1951, and the first enlargement did not happen until 1973. However, to find the start of the union today, we must mention the Treaty of the European Union in 1993, which initiated the modern form of the association.

The end of the Cold War marked an approach of the union toward CEE countries known as former communist, bringing them closer to the EU's membership criteria and reforming their political and economic system. The year 2002 and the decision to close with CEE were seen to fulfil a historical pledge and peacefully overcome the division created until that day. In May 2014, 10 countries became members of the EU, thus marking the most significant expansion of the union. In the same year, the enlargement continued with Bulgaria and Romania even though there were concerns with fulfilling the membership criteria, concluding the process in 2007. Croatia was the last country to be part of the EU, bringing the number of unions in 2013 to 28 countries. Currently, with the Brexit, the EU includes 27 member countries.

Being part of such a union brings together benefits and drawbacks, which are essential to take into analysis in this paper if we want to have a clear view of the conclusions and recommendations we will give the potential candidates of the EU. Membership costs, policies, common currency, net migration, and bureaucracies are some of the most widespread problems within the union (Pettinger, 2019). According to the EU Budget and financial report, in 2018, the total national contribution of UK membership in the union was 13461.9 million euros. For Croatia, in the same year, it was 450.8 million euro and for Bulgaria was 487.1 million euro (European Commission, 2019). Even though the EU has not made using the euro as the local currency for EU membership mandatory, it has continuously emphasised having a single currency. However, this has not brought a few problems for the Eurozone. A single currency means a single monetary policy specifying a single interest rate, which may not be appropriate for many countries. An example is the situation created in 2011, where the rates were increased to prevent inflation in Germany. Still, on the other hand, this politic was inappropriate for countries like Greece, Portugal, and Italy, which headed towards recession (General Secretariat

of the Council, 2012). Migration is a discussed topic on the problems that have brought for the most developed countries of the union. The UK has been affected by the problems of a steady move of net migration, impacting its economic growth and population statistics. So, in the study of Pettinger in 2021, it is predicted that over the next decade, the UK will experience an increase in of population 70 million and one of the negative impacts is seen to be at house markets and the increasing prices to live (Pettinger, 2021).

### ***2.1 Process of Enlargement, Membership Criteria and Key Steps***

The enlargement process towards Balkan countries is argued to be necessary to promote stability and to ward off the possibility of foreign influencers like Russia or China. However, every country needs to meet some criteria before being a union member so that the integration process does not impede the EU's ability to operate effectively. Maastricht Treaty, as the foundation of the European Union, announced a new process in European integration in 1993. According to this treaty, any country can apply and be part of the union if they meet the political and economic criteria and generally have a stable environment. Countries must also be able to fulfil all the steps necessary for membership, including implementing the political objectives of the Economic and Monetary Union. To complete accession negotiations, candidates must accept and implement many of the EU's agreements, laws, and regulations, summarised under one term: *acquis communautaire*. Accession negotiations are established at the ministerial level to settle the terms and conditions under which candidates will complete the implementation of *acquis* chapters. During the integration process, the EU financially supports all the candidates to assist in the accession process and bring their administrative and judicial systems into line with EU national and regional standards (EUR-Lex, 2020). At Frances' instigation in 2020, changes were made to the enlargement process and membership criteria. European Commission expressed that the revision of the steps and requests have as a goal the increasing credibility of the enlargement (Archick & Garding, 2021).

### ***2.2 Recent Changes, effects of the COVID pandemic and Ukraine war***

European Union, as much as Europe in general in the last three to four years, has experienced two significant shocks which impacted people, institutions, and governments. The COVID-19 pandemic and the War in Ukraine have had a significant impact on all regions, influencing the separation of people and places. The effects of the war between Ukraine and Russia depend on the strength of the regional economy and its dependence on Russia's energy resources. Even though immediate policy actions have prevented the most significant and worst impacts, several factors still indicate inequality risk.

### *Effects of Cohesion Policy*

Dealing with the economic, political, and social effects of the Coronavirus and Ukraine war required adapting policies in emergencies. It is important to take new measures to support energy, renewable energy SMEs, the public and the health sector for efficiency and sustainability. The new Coronavirus Response Investment Initiative (CRII) / Coronavirus Response Investment Initiative + (CRII+) measure and the European Adaptation and Regional Recovery Assistance (REACT-EU) it was aimed at enabling simple, easy, and flexible actions to follow up all needs occurred from the pandemic. The precautions were mainly valuable for SMEs implementing traditional instruments such as grants and financial tools.

All in all, governance at all levels needs to be strengthened to respond to the vast gap, improve the ability to face unexpected changes, cope, adapt and respond with uncertainty to reduce the risks from future external breakdowns.

### ***2.3 Basic Socioeconomic Indicators in Albania, Croatia, and Bulgaria***

In his study in 2007, Schneider stated that enlargements of the EU can bring different complications, mainly in the labour market affected by the free movement. According to the study, the labour and tech sectors will be affected by the enlargement towards Eastern Europe (Schneider, 2007). As a result, the new members of the EU will be an increasing trend of exporting workers, whereas the union will stimulate market growth. The table below will summarise Albania, Croatia, and Bulgaria's population, unemployment rate and GDP per capita. The selected years taken into analysis will represent the same phase for all three countries, the period before joining the European Union. Although it means the inclusion of different years for the three countries, we will aim to compare the period considered before joining the EU because we want to see under what conditions a country has the prerequisites to join the union. So, for Bulgaria, we will analyse the years from 2002 – 2007, Croatia 2008 – 2013 and for Albania, we will consider if it joins the EU in 2024 and will analyse the years 2018 – 2022.

**Table 1.** Fundamental Socioeconomic Indicators for selected countries before joining the EU.

		Unemployment rate	Population	GDP per capita (current US \$)
Croatia	2009	9.2	4,305,181	14,388
Croatia	2010	11.62	4,295,427	13,664
Croatia	2011	13.68	4,280,622	14,624
Croatia	2012	15.93	4,267,558	13,411
Croatia	2013	17.25	4,255,689	13,949
Bulgaria	2003	13.73	7,775,327	2,719
Bulgaria	2004	12.04	7,716,860	3,390
Bulgaria	2005	10.08	7,658,972	3,900
Bulgaria	2006	8.95	7,601,022	4,523
Bulgaria	2007	6.88	7,545,338	5,889
Albania	2018	12.3	2,866,376	5,288
Albania	2019	11.47	2,854,191	5,396
Albania	2020	13.07	2,837,849	5,343
Albania	2021	12.68	2,811,666	6,377
Albania	2022	11.81	2,775,634	6,803

*Source:* The World Bank, Data (2022)

In the table above, data from three countries are presented. Croatia and Bulgaria, now part of the EU, included data for five years before becoming part of the Union, showing fundamental socioeconomic indicators before joining the EU. We notice that the conditions of both Croatia and Bulgaria before membership are different, thus assuming that there are no fixed rates of indicators for joining the union. Croatia became a member of the EU after six years of complex membership negotiations, also affected by the Global Crisis of 2008. As shown in the above table, unemployment rates almost doubled from 9.2% in 2009 to 17.25 % in 2013. These high unemployment rates are mainly caused by high long-term unemployment and youth not becoming part of the labour market. Levels of GDP per capita have also had a decreasing model during the years taken into analysis. Still, we must mention that Croatia doubled this indicator from 1998 to 2008 (before the Global Crisis).

On the other hand, Bulgaria was in different conditions, entering the EU one year before the official Global Crisis. Unemployment rates in Bulgaria decreased from 2003 to 2007, affected by the accession process, which increased FDI and directly lowered unemployment from 13.73 in 2002 to 6.88 in 2007. Both countries experienced slow growth in the transition process from a planned to a market

economy. For Bulgaria, the increasing presence of foreign investors affected the labour market and GDP per capita. In contrast, we can see from the above table that there was an increase from 2719\$ in 2003 to 5889\$ in 2007.

Let's compare the Albanian situation with Bulgaria and Croatia. We have a better view from Croatia, with lower unemployment rates and a worse idea than Bulgaria. On the other hand, GDP per capita appears in much lower values compared to Croatia and almost the same with Bulgaria. If Croatia was a period after the Global Crises, it is also the same for Albania after the pandemic crisis.

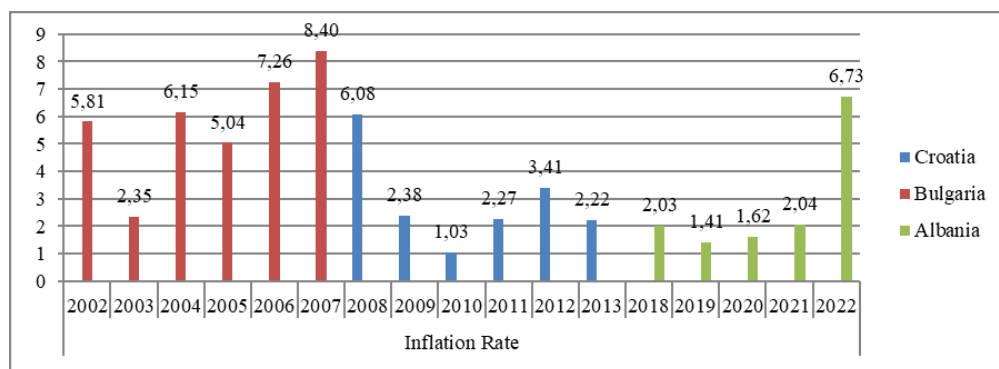
#### ***2.4 Relating the situation of Bulgaria and Croatia before joining the EU with the status of Albania, analysis of the European Union during the two associations and today.***

In this part of the study, after studying GDP per Capita and Unemployment, we will further our analysis by comparing two members of the EU and Albania to understand how similar the macroeconomic situations are between these two groups. Only in this way will we be able to say that the conclusions drawn from the Gravity model can also be applied or taken as recommendatory situations for Albania.

##### **➤ Inflation Rates**

Dealing with unpredictable inflation rates, which erodes the power of money, leads to economic instability. This indicator is also essential for investors as it can lead to uncertainties in financial markets and affect financial strategies.

**Chart. 1.** Inflation rate in Bulgaria, Croatia, and Albania



Source: World Bank, Data 2022

In the above chart are given inflation rates over three countries. The periods taken into analysis follow the same logic as the first part of the methodology. If we consider only the last year, so 2007, 2013, and 2022 (if we thought Albania would be a member of the EU in 2013), we would say that inflation is very high compared

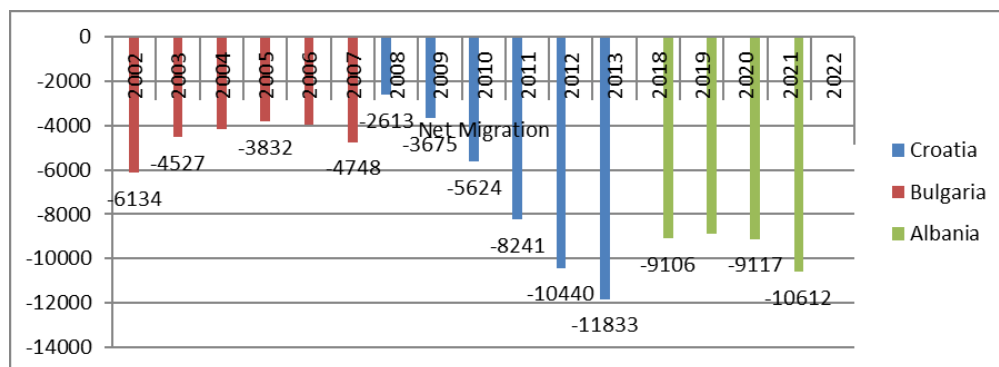


to Croatia (2.22% in Croatia at the year of membership and 6.73% in Albania in 2022) and when compared to Bulgaria it is lower but in a minor difference (1.68% lower). All in all, we can say that if we are based on inflation rates, Albania is not in an economic situation far from the two current member countries of the union in their period before membership, remaining almost the same value compared with Bulgaria at its year of membership.

### ➤ Net Migration

Analysing net migration provides a study with insights into social, economic, political, and demographic trends. Even more, when we consider membership into a union where, when being part, the barriers of movements are put down, it is essential to take into consideration to prevent massive imbalances.

**Chart. 2.** Net migration in Bulgaria, Croatia, and Albania



Source: World Bank, Data

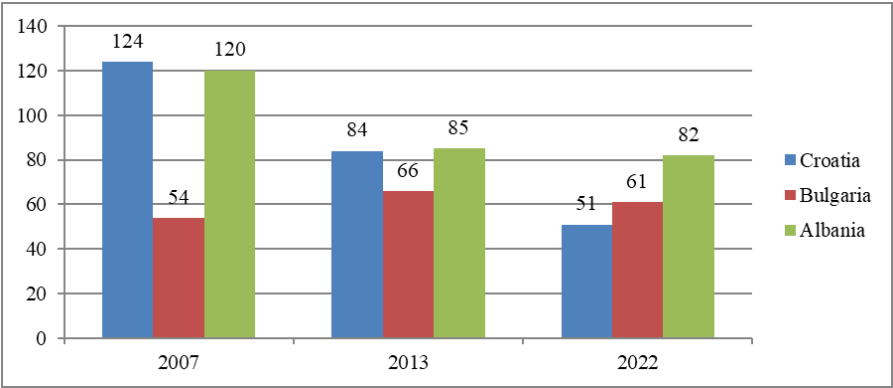
For the three countries, net migration has negative values, indicating a higher level of emigration than the number of immigrants. Bulgaria represents the lowest levels of net migration, whereas comparing Albania with Croatia, we see lower values for Croatia at the beginning of the period under analysis with an increasing trend, while for Albania, a stable level at the same levels as Croatia 1 to 2 years before joining the EU.

### ➤ Doing Business Report

Doing business rankings informs how good countries worldwide are doing in essential fields that affect business growth and implementation. The areas considered are regulations, reforms, costs of opening a business, and procedures to be followed in the business registration. This indicator is essential for this paper as it means the star of foreign investor attraction and serves as a push to remove barriers to international cooperation, as happens in the European Union.



**Chart. 3.** Ease of doing business ranking for Bulgaria, Croatia, and Albania



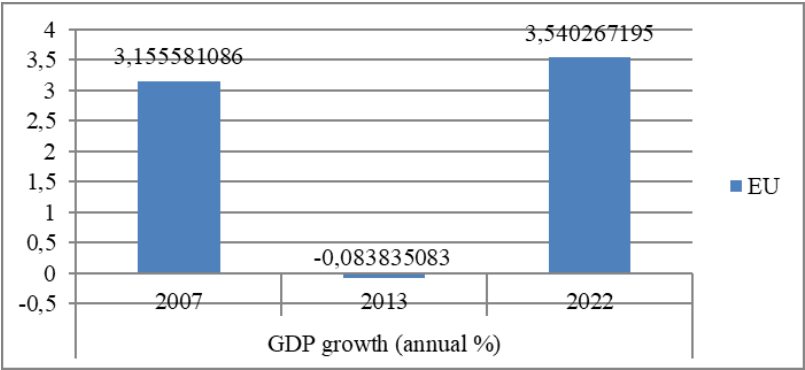
Source: Doing Business Reports 2007, 2013, 2020

The chart above shows that for 2007 and 2013, Albania and Croatia were almost at the same rankings, whereas Bulgaria had a better classification. For 2020, Albania remained far behind Croatia and Bulgaria, remaining at 82 positions, while Croatia, once at the Albanian level, was positioned as one of the 51 countries for doing business. However, we can justify the misbalance in 2020 with the benefits of two members having fewer barriers to trade with Western Europe.

**European Union Situation in 2007, 20013, 2022**

It is essential to understand the situation of the union when the verdicts towards enlargement are made. For this reason, in this section, indicators such as GDP growth, inflation rate and unemployment rate are studied to define whether the union’s economic conditions define its decisions.

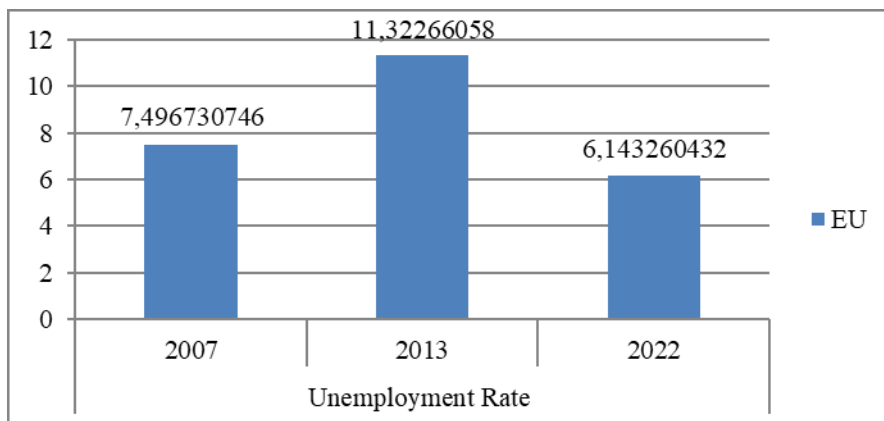
**Chart. 4.** GDP growth (annual %)



Source: World Bank, Data 2022

In the above chart, GDP for the union GDP growth as an annual percentage is shown at similar values in 2007 (the membership of Bulgaria) and in 2022 (the year taken to analyse Albanian possibilities into membership), 3.15% in 2007 and 3.54% in 2022.

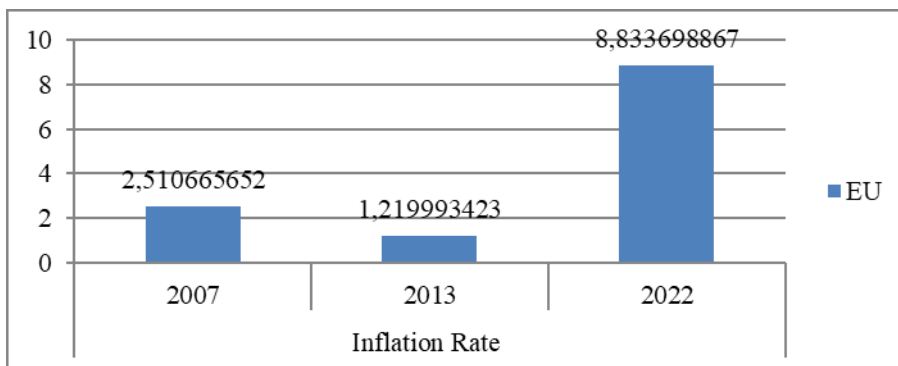
**Chart. 5. Unemployment Rate**



*Source:* World Bank, Data 2022

The unemployment rate for the EU is shown at similar levels for 2007 and 2022, with 7.49% and 6.14%. Whereas in 2013, when the accessions of Croatia took place, this indicator was at the level of 11.32%.

**Chart. 6. Inflation Rate**



*Source:* World Bank, Data 2022

The inflation rate for 2022 in the EU is shown at very high levels compared with 2007 and 2013. In 2022, at a level of 8.8%, whereas in 2007 and 2013, it was a similar story.

Considering the indicators analysed for both member countries and the European Union, it can be summarised that we have a more common situation between the circumstances of Bulgaria and Albania and all year 2007 when the membership of Bulgaria took place and 2022.

### **3. Methodology**

In this part, the fundamental socioeconomic indicators of Croatia and Bulgaria before entering the EU (macroeconomic indicators five years before being a member of the EU) and of Albania as a candidate country (for the same periods) will be analysed. For the same periods, macroeconomic indicators will also be studied to develop a relationship between Albania and one of the two new members of the union. At the same time, it is essential to see the situation of the marriage itself. Analysing macroeconomic indicators of the European Union when two associations were completed and the case today will define the possibilities of the block towards enlargements. The variables are provided by IMF (Direction of Trade Statistics (DOTS) and World Bank statistics and calculated from the authors' elaboration.

Lastly, trade flows between countries like the Albanian economic situation today and Germany will be analysed through the Gravity Model, one of the most popular models in International Economics.

#### *Research questions*

1. How did the Albanian economic situation relate to Croatia and Bulgaria when they were accepted?
2. Is the EU position more favourable to accepting new members?
3. What should Albania learn from other members and the politics they took to be accepted?
4. How can we predict the future of the EU if Albania is accepted in the following years?

#### *Macroeconomic indicators to analyse*

- GDP per capita, GDP growth rate – To provide this paper with an overall snapshot of economic activity.
- Unemployment Rate – To understand the health of the labour market.
- Exports and Imports – Essential because it drives economic growth and increases the competition in the market. It is essential to compare the values of this indicator, especially for Bulgaria and Croatia before and after entering the EU, to see the effects of eliminated administrative trade barriers.
- Inflation Rates – Affects the economy's stability, influencing business planning, investment decisions and consumer spending.
- Net Migration – Overall affects wages, productivity, and labour market trends.

### ***3.1 Gravity Model of Trade between Bulgaria and Germany***

In this part, trade flows between Germany and Bulgaria will be analysed using the Gravity model, one of the most popular models in International Economics –. The final goal is to evaluate whether trade growth between the two countries was affected by their membership of Bulgaria in the EU. The gravity model is used to describe trade patterns relating to geographical and socioeconomic characteristics of the countries, taking into analysis (Montanari, 2005). We have used helpful software such as GRETl for statistical data analysis and to develop a regression analysis in a time series database.

The data used for the study are from 2002 to 2012, including five years before and after membership of Bulgaria into the union. We have chosen Germany because it is the representative country of the EU as the leading trade partner for CEE in the operations of imports and exports. Based on the criteria of the Gravity model, Germany fulfils all of them to become a regional trade leader in terms of a large population and market, high GDP level and location (Lypko, 2022).

#### *Variables taken into analysis:*

- REMOT – Regulates the distance between two countries using the GDP of both. It is found as a logarithm of distance multiplying Germany's GDP, divided by World GDP.
- LN (Distance x Germany's GDP/World GDP)
- SCALE – Includes two countries' populations, defined as the logarithm of the Bulgarian population multiplying the German people.
- LN (Bulgaria Population\*Germany Population)
- Capital Endowment – The factor of production is measured as a log of physical capital per worker.
- LN (CMAX (Bulgaria Capital worker ratio: Germany Capital worker ratio)/MIN (Bulgaria Capital worker ratio: Germany Capital worker ratio)))
- Land Endowment – The factor of production is measured as a log of arable land per worker.
- LN ((MAX (Bulgaria Arable Land Ratio: Germany Arable Land Ratio)/MIN (Bulgaria Arable Land Ratio: Germany Arable Land Ratio)))
- GDP Distance – Captures the difference in the level of development between two countries. It is measured as a log of deduction between max GDPs per capita and min GDP per capita.
- LN ((MAX (Bulgaria GDP per capita: Germany GDP per capita))-MIN (Bulgaria GDP per capita: Germany GDP per capita))
- FTA dummy – It is specified as 0 for when Bulgaria was not part of the Free Trade Area as Germany and as 1 for when Bulgaria was part of the Free Trade Area.

## 1. Results

Referring to Table 2, we have presented a general view of the variable included for the period 2002-2012 for the Bulgarian economy before its entrance into the EU (2007) and after the EU (2007). The data for Bulgaria are calculated with German data, where trade corresponds to the trade between Bulgaria and Germany before and after Bulgarian EU accession. In this manner, all the variables are related to Bulgaria and Germany.

**Table 2.** General Variables Included in Gravity Model

Time	ln(TRADE)	TRADE	REMOT	SCALE	Kap_en dowmen	Land_en dowment	GDP_distance	FTA_dummy
2002	7.48	1771.09	4.58	34.10	2.39	1.21	10.05	0
2003	7.77	2362.71	4.65	34.10	2.20	1.22	10.23	0
2004	8.04	3099.22	4.65	34.09	2.03	1.20	10.33	0
2005	8.16	3513.25	4.58	34.08	1.67	1.21	10.33	0
2006	8.38	4352.83	4.55	34.07	1.51	1.18	10.37	0
2007	8.57	5271.70	4.56	34.06	1.39	1.15	10.48	1
2008	8.71	6047.25	4.56	34.05	1.20	1.14	10.55	1
2009	8.38	4366.38	4.52	34.04	1.24	1.18	10.45	1
2010	8.50	4892.75	4.42	34.04	1.58	1.20	10.45	1
2011	8.70	6000.03	4.42	34.01	1.66	1.23	10.57	1
2012	8.73	6200.60	4.33	34.01	1.54	1.26	10.50	1

Source: IMF and WB/ Authors' elaboration

**Table 3.** Gravity Model Regression Results. Dependent Variable: ln(trade)

Model 1: OLS, using observations 2002-2012 (T = 11)				
Dependent variable: lnTRADE				
	coefficient	std. error	t-ratio	p-value
-----				
const	-308.386	193.612	-1.593	0.1864
REMOT	-2.81037	0.880483	-3.192	0.0332 **
SCALE	8.74162	5.58898	1.564	0.1928
Kap_endowment	-0.0917739	0.138448	-0.6629	0.5437
Land_endowment	-0.338530	1.69258	-0.2000	0.8512
GDP_distance	3.10803	0.581384	5.346	0.0059 ***
FTA_dummy	-0.0892162	0.107675	-0.8286	0.4539
Mean dependent var	8.310481	S.D. dependent var	0.409742	
Sum squared resid	0.011642	S.E. of regression	0.053949	
R-squared	0.993066	Adjusted R-squared	0.982664	
F(6, 4)	95.47294	P-value(F)	0.000286	
Log-likelihood	22.07235	Akaike criterion	-30.14470	
Schwarz criterion	-27.35944	Hannan-Quinn	-31.90042	
rho	0.246183	Durbin-Watson	1.423538	
Excluding the constant, p-value was highest for variable 7 (Land_endowment)				

Source: GRETL Model

Regarding Econometric Model Results, in Table 2, the Remote coefficient was significant, with a p-value of 0.0332. An increase in the Remote variable by one unit leads to a decrease in Lntrade by 2.8 units. The GDP Distance coefficient was also significant, with a p-value of 0.0059. Increasing “GDP Distance by one team increases Lntrade by 3.1 units. The other variables in the model were not statistically significant. The overall model was highly effective, with an F-statistic p-value of 0.000, suggesting that the model fits the data well. The R-squared value indicated that the independent variables explain 99% of the Lntrade variation. The Rho coefficient showed a weak positive correlation of approximately 25% between the independent variables. The Durbin-Watson statistic of 1.42 suggests the presence of slight positive autocorrelation in the residuals.

## **2. Conclusions**

Analysing the economic impact of membership in the European Union is a complex task. It also involves other world indicators impacts, and the effects are only sometimes seen in the short run. This research examines the socioeconomic indicators of Croatia, Bulgaria, and Albania, focusing on their economic landscape five years before EU accession or potential accession. The objective is to compare Albania's current economic status with Croatia and Bulgaria's pre-EU periods and gauge the EU's stance on enlargement. Through this study, we intend to reach Albania's economic state with Croatia and Bulgaria during their EU accession. Considering Albania's potential membership, how is the approach of the EU's openness to new members and some predicting the EU's future?

Albania's unemployment rate remained relatively stable at around 12% during 2018-2022. This is notably lower than Croatia's peak of 17.25% in 2013 but higher than Bulgaria's 6.88% in 2007. Croatia experienced a significant surge in unemployment, nearly doubling from 9.2% in 2009 to 17.25% in 2013. Conversely, Bulgaria saw a decline in unemployment from 13.73% in 2002 to 6.88% in 2007, likely influenced by the EU accession process and increased foreign direct investment.

Regarding GDP per Capita, Albania's GDP per capita was lower than Croatia's but comparable to Bulgaria's figures in the years leading up to their EU accession. Croatia doubled its GDP per capita from 1998 to 2008, before the Global Crisis. Bulgaria experienced a significant increase in GDP per capita, from \$2719 in 2003 to \$5889 in 2007, driven by foreign investments.

When focusing on the last year of the analysis (2007 for Bulgaria, 2013 for Croatia, and 2022 for Albania), Albania's inflation rate of 6.73% in 2022 was considerably higher than Croatia's 2.22% but only slightly higher than Bulgaria's 4.05%. This suggests that, based on inflation rates alone, Albania's economic situation is close to that of Croatia and Bulgaria during their pre-accession periods.

Since in the third part of the study, we concluded a similar economic condition between Albania and Bulgaria in the period before EU membership; it can be said

that entering the union would not have significant effects on the candidate country in international trade as expected if to remain in the same macroeconomic and social situation.

Enlargement in the European Union is to be studied carefully, but the final decision is not only based on the economic situation of the candidate country or the union itself. Other political conditions or inside choices must be considered when researching this topic.

In conclusion, while each country had unique challenges and economic conditions, Albania's metrics, particularly regarding unemployment and inflation, place it in a comparable position to Croatia and Bulgaria before their EU membership. The econometric model further provides insights into the factors influencing trade, with "Remote" and "GDP Distance" being significant predictors.

A distinct segment employs the Gravity Model to analyse trade between Bulgaria and Germany from 2002 to 2012, covering Bulgaria's five-year pre- and post-EU accession. Germany was chosen due to its significant role in EU trade.

A unit increase in the Remote variable implies that as countries become more "remote" from each other, trade between them diminishes, holding other factors constant.

The GDP Distance coefficient's significance indicates that the relative economic size or development gap between two trading partners influences their trade volume. This could suggest that countries with considerable GDP differences tend to trade more, possibly because of complementary economic structures or differing comparative advantages.

The Rho coefficient's value suggests a weak positive correlation among the independent variables, implying that there might be some omitted variables or other model specifications that could further improve the model.

By comparing Albania's current economic indicators with those of Croatia and Bulgaria during their pre-EU periods, we can gauge Albania's readiness for EU accession. Such a comparison provides insights into Albania's economic challenges and opportunities upon joining the EU.

The experiences of Croatia and Bulgaria underscore the transformative impact of EU membership. Both countries underwent significant economic shifts in the run-up to their EU accessions, influenced by factors like foreign direct investment, trade liberalisation, and policy reforms. Their experiences offer valuable lessons for Albania as it navigates its potential path to EU membership.

The findings also shed light on the broader economic implications of EU enlargement. As countries like Albania consider joining the EU, understanding the economic trajectories of recent member states can inform policy decisions, trade negotiations, and economic reforms.

In conclusion, the econometric model results, combined with the socioeconomic analysis of Albania, Croatia, and Bulgaria, provide a comprehensive understanding of trade dynamics and the economic implications of EU accession. In general, the



result from the gravity model we stated is that it does not significantly impact Bulgaria's international trade from its EU accession, suggesting that the same will happen with Albania.

## Bibliography

1. Archick, K., & Garding, S. E. (2021). European Union Enlargement. *Congressional Research Service*.
2. Archick, K., & Garding, S. E. (2021). European Union Enlargement.
3. Economides, S., Featherstone, K., & Hunter, T. (2023). The Changing Discourses of EU Enlargement: A Longitudinal Analysis of National Parliamentary Debates. *Journal of Common Market Studies*.
4. EUR-Lex. (2020). Treaty on European Union — Joining the EU.
5. European Commission. (2019). EU Budget 2018 Financial Report. *Publications Office of the European Union*, 39.
6. EUROSTAT. (2023). *GDP per capita, consumption per capita and price level indices*. Retrieved from [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=GDP\\_per\\_capita,\\_consumption\\_per\\_capita\\_and\\_price\\_level\\_indices](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=GDP_per_capita,_consumption_per_capita_and_price_level_indices)
7. General Secretariat of the Council. (2012). The European Council in 2011. *Publications Office of the European Union*.
8. Gjeta, A. (2020). The EU Enlargement: Theory and Practice.
9. Leszko, B. M., & Twarowska, K. (2016). The European Union As A Global Economic Power. *Comparative Economic Research, Comparative Economic Research*.
10. Lypko, N. (2022). The gravity model of trade: the case of Central and Eastern Europe.
11. Montanari, M. (2005). EU Trade with the Balkans: Large Room for Growth? *Eastern European Economic*.
12. Pettinger, T. (2019). Disadvantages of EU Membership.
13. Pettinger, T. (2021). Impact of Immigration on UK Economy.
14. Schneider, T. D. (2007). Discriminatory European Union Membership and the Redistribution Discriminatory European Union Membership and the Redistribution . *The Journal of Conflict Resolution*.
15. Veld, J. i. (2019). The economic benefits of the EU Single Market in goods and services. *Journal of Policy Modeling, Volume 41, Issue 5*, 803-818.